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

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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

667 Madison Avenue, New York, N.Y. 10021-8087
(Address of principal executive offices) (Zip Code)

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

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

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

Yes X No ________

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

Large accelerated filer X Accelerated filer ________ Non-accelerated filer ________

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

Yes ________ No X

Class	Outstanding at April 20, 2007
Common stock, $0.01 par value	537,027,337 shares
Carolina Group stock, $0.01 par value	108,438,523 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

		March 31, 2007		December 31, 2006
(In millions)				
Assets:				
Investments:				
Fixed maturities, amortized cost of $34,409.3 and $36,852.6	$	**35,146.6**	$	37,569.7
Equity securities, cost of $1,028.6 and $967.0		**1,359.0**		1,308.8
Limited partnership investments		**2,268.1**		2,160.5
Other investments		**26.6**		27.4
Short-term investments		**14,621.2**		12,822.4
Total investments		**53,421.5**		53,888.8
Cash		**128.5**		133.8
Receivables		**13,064.0**		13,027.3
Property, plant and equipment		**5,720.4**		5,501.3
Deferred income taxes		**605.2**		620.9
Goodwill and other intangible assets		**297.4**		298.9
Other assets		**1,798.2**		1,716.5
Deferred acquisition costs of insurance subsidiaries		**1,189.5**		1,190.4
Separate account business		**514.9**		503.0
Total assets	$	**76,739.6**	$	76,880.9
Liabilities and Shareholders' Equity:				
Insurance reserves:				
Claim and claim adjustment expense	$	**29,509.9**	$	29,636.0
Future policy benefits		**6,754.8**		6,644.7
Unearned premiums		**3,824.0**		3,783.8
Policyholders' funds		**976.8**		1,015.4
Total insurance reserves		**41,065.5**		41,079.9
Payable for securities purchased		**1,380.6**		1,046.7
Collateral on loaned securities		**2,914.1**		3,601.5
Short-term debt		**4.3**		4.6
Long-term debt		**5,128.1**		5,567.8
Reinsurance balances payable		**576.8**		539.1
Other liabilities		**4,832.3**		5,140.2
Separate account business		**514.9**		503.0
Total liabilities		**56,416.6**		57,482.8
Minority interest		**3,405.5**		2,896.3
Preferred stock, $0.10 par value,				
Authorized - 100,000,000 shares				
Common stock:				
Loews common stock, $0.01 par value:				
Authorized - 1,800,000,000 shares				
Issued - 544,282,036 and 544,203,457 shares		**5.4**		5.4
Carolina Group stock, $0.01 par value:				
Authorized - 600,000,000 shares				
Issued -108,776,023 and 108,665,806 shares		**1.1**		1.1
Additional paid-in capital		**4,058.1**		4,017.6
Earnings retained in the business		**12,780.9**		12,098.7
Accumulated other comprehensive income		**393.7**		386.7
		17,239.2		16,509.5
Less treasury stock, at cost (7,261,449 shares of Loews common stock as of March 31, 2007 and 340,000 shares of Carolina Group stock as of March 31, 2007 and December 31, 2006)		**321.7**		7.7
Total shareholders' equity		**16,917.5**		16,501.8
Total liabilities and shareholders' equity	$	**76,739.6**	$	76,880.9

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Three Months Ended March 31	**2007**	2006
(In millions, except per share data)		
Revenues:		
Insurance premiums	**$ 1,862.3**	$ 1,868.6
Net investment income	**765.4**	704.1
Investment gains (losses)	**(21.3)**	2.0
Gain on issuance of subsidiary stock	**135.3**	
Manufactured products (including excise taxes of $161.7 and $163.9)	**959.2**	898.4
Other	**958.8**	771.4
Total	**4,659.7**	4,244.5
Expenses:		
Insurance claims and policyholders’ benefits	**1,447.9**	1,492.0
Amortization of deferred acquisition costs	**380.9**	370.2
Cost of manufactured products sold	**567.5**	533.3
Other operating expenses	**797.5**	789.8
Interest	**78.6**	74.6
Total	**3,272.4**	3,259.9
	1,387.3	984.6
Income tax expense	**455.3**	334.2
Minority interest	**165.9**	104.4
Total	**621.2**	438.6
Income from continuing operations	**766.1**	546.0
Discontinued operations, net	**2.2**	(5.0)
Net income	**$ 768.3**	$ 541.0
Net income attributable to:		
Loews common stock:		
Income from continuing operations	**$ 648.5**	$ 478.4
Discontinued operations, net	**2.2**	(5.0)
Loews common stock	**650.7**	473.4
Carolina Group stock	**117.6**	67.6
Total	**$ 768.3**	$ 541.0
Basic and diluted net income per Loews common share		
Income from continuing operations	**$ 1.20**	$ 0.86
Discontinued operations, net		(0.01)
Net income	**$ 1.20**	$ 0.85
Basic net income per Carolina Group share	**$ 1.09**	$ 0.86
Diluted net income per Carolina Group share	**$ 1.08**	$ 0.86
Basic weighted average number of shares outstanding:		
Loews common stock	**541.52**	557.47
Carolina Group stock	**108.38**	78.23
Diluted weighted average number of shares outstanding:		
Loews common stock	**542.56**	558.24
Carolina Group stock	**108.51**	78.33

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In millions, except per share data)	Comprehensive Income (Loss)	Loews Common Stock	Carolina Group Stock	Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income	Common Stock Held in Treasury
Balance, January 1, 2006		$ 5.6	$ 0.8	$ 2,417.9	$ 10,364.4	$ 311.1	$ (7.7)
Comprehensive income:							
Net income	$ 541.0				541.0		
Other comprehensive losses	(217.3)					(217.3)	
Comprehensive income	$ 323.7						
Dividends paid:							
Loews common stock, $0.05 per share					(27.9)		
Carolina Group stock, $0.455 per share					(35.6)		
Purchase of Loews treasury stock							(55.7)
Issuance of Loews common stock				8.2			
Issuance of Carolina Group stock				2.3			
Stock-based compensation				2.3			
Other				1.1			
Balance, March 31, 2006		$ 5.6	$ 0.8	$ 2,431.8	$ 10,841.9	$ 93.8	$ (63.4)
Balance, January 1, 2007		**$ 5.4**	**$ 1.1**	**$ 4,017.6**	**$ 12,098.7**	**$ 386.7**	**$ (7.7)**
Adjustment to initially apply:							
FIN No. 48 (Note 13)					**(36.6)**		
FSP FTB 85-4-1 (Note 1)					**33.7**		
Balance, January 1, 2007, as adjusted		**5.4**	**1.1**	**4,017.6**	**12,095.8**	**386.7**	**(7.7)**
Comprehensive income:							
Net income	**$ 768.3**				**768.3**		
Other comprehensive income	**7.0**					**7.0**	
Comprehensive income	**$ 775.3**						
Dividends paid:							
Loews common stock, $0.063 per share					**(33.9)**		
Carolina Group stock, $0.455 per share					**(49.3)**		
Purchase of Loews treasury stock							**(314.0)**
Issuance of Loews common stock				**2.1**			
Issuance of Carolina Group stock				**2.9**			
Stock-based compensation				**7.9**			
Other				**1.9**			
Deferred tax benefit related to interest expense imputed on Diamond Offshore's 1.5% debentures (Note 7)				**25.7**			
Balance, March 31, 2007		**$ 5.4**	**$ 1.1**	**$ 4,058.1**	**$ 12,780.9**	**$ 393.7**	**$ (321.7)**

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Three Months Ended March 31		**2007**		2006
(In millions)				
Operating Activities:				
Net income	**$**	**768.3**	$	541.0
Adjustments to reconcile net income to net cash				
provided (used) by operating activities, net		**103.5**		187.1
Changes in operating assets and liabilities, net:				
Reinsurance receivables		**105.4**		273.5
Other receivables		**(27.8)**		(67.8)
Federal income tax		**273.1**		109.1
Prepaid reinsurance premiums		**(30.5)**		(100.3)
Deferred acquisition costs		**0.9**		(0.9)
Insurance reserves and claims		**30.8**		(181.5)
Reinsurance balances payable		**37.7**		(16.9)
Other liabilities		**(578.4)**		(396.8)
Trading securities		**(639.9)**		229.9
Other, net		**(31.4)**		87.1
Net cash flow operating activities - continuing operations		**11.7**		663.5
Net cash flow operating activities - discontinued operations		**(17.9)**		(4.6)
Net cash flow operating activities - total		**(6.2)**		658.9
Investing Activities:				
Purchases of fixed maturities		**(15,551.7)**		(14,860.8)
Proceeds from sales of fixed maturities		**16,435.1**		16,338.5
Proceeds from maturities of fixed maturities		**1,016.4**		1,103.8
Purchases of equity securities		**(70.6)**		(596.5)
Proceeds from sales of equity securities		**69.3**		581.6
Purchases of property and equipment		**(324.1)**		(199.9)
Proceeds from sales of property and equipment		**0.7**		0.5
Change in collateral on loaned securities		**(687.4)**		1,022.0
Change in short-term investments		**(420.9)**		(3,373.9)
Change in other investments		**(34.4)**		(114.2)
Other, net		**(34.8)**		
Net cash flow investing activities - continuing operations		**397.6**		(98.9)
Net cash flow investing activities - discontinued operations		**0.6**		(3.5)
Net cash flow investing activities - total		**398.2**		(102.4)

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

Three Months Ended March 31		**2007**		2006
(In millions)				
Financing Activities:				
Dividends paid	**$**	**(83.2)**	$	(63.5)
Dividends paid to minority interest		**(290.6)**		(98.5)
Purchases of treasury shares		**(314.0)**		(55.7)
Issuance of common stock		**4.3**		8.1
Proceeds from subsidiaries' equity issuances		**307.6**		0.8
Principal payments on debt		**(1.0)**		(43.0)
Receipts of investment contract account balances		**1.4**		0.8
Return of investment contract account balances		**(45.8)**		(344.1)
Excess tax benefits from share-based payment arrangements		**4.2**		2.5
Other		**2.8**		
Net cash flow financing activities - continuing operations		**(414.3)**		(592.6)
Net change in cash		**(22.3)**		(36.1)
Net cash transactions from:				
Continuing operations to discontinued operations		**(0.4)**		15.9
Discontinued operations to continuing operations		**0.4**		(15.9)
Cash, beginning of period		**174.0**		182.0
Cash, end of period	**$**	**151.7**	$	145.9
Cash, end of period:				
Continuing operations	**$**	**128.5**	$	141.0
Discontinued operations		**23.2**		4.9
Total	**$**	**151.7**	$	145.9

See accompanying Notes to Consolidated Condensed Financial Statements.

1. Basis of Presentation

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

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 March 31, 2007 and December 31, 2006 and the results of operations and changes in cash flows for the three months ended March 31, 2007 and 2006.

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

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

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

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

Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period. The change in fair value, life insurance proceeds received and periodic maintenance costs, such as premiums, necessary to keep the underlying policy in force, are recorded in Other revenues on the Consolidated Condensed Statement of Income for the three months ended March 31, 2007. Amounts presented related to the prior year were accounted for under the previous accounting guidance, FTB No. 85-4, where the carrying value of life settlement contracts was the cash surrender value, and revenue was recognized and included in Other revenues on the Consolidated Condensed Statement of Income when the life insurance policy underlying the life settlement contract matured. Under the previous accounting guidance, maintenance expenses were expensed as incurred and included in Other operating expenses on the Consolidated Condensed Statement of Income. CNA's investment in life settlement contracts of $108.0 million at March 31, 2007 is included in Other assets on the Consolidated Condensed Balance Sheet. The cash receipts and payments related to life settlement contracts are included in Cash flows from operating activities on the Consolidated Condensed Statements of Cash Flows for both periods presented.

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

The following table details the values of life settlement contracts as of March 31, 2007.

As of March 31, 2007	**Number of Life Settlement Contracts**	**Fair Value of Life Settlement Contracts**	Face Amount of Life Insurance Policies
(In millions of dollars)			
Estimated maturity during:			
2007	**60**	**$ 6.0**	**$ 38.0**
2008	**80**	**8.0**	**50.0**
2009	**80**	**8.0**	**49.0**
2010	**80**	**8.0**	**49.0**
2011	**80**	**9.0**	**51.0**
Thereafter	**1,075**	**69.0**	**538.0**
Total	**1,455**	**$ 108.0**	**$ 775.0**

The unrealized gain (change in fair value) recognized during the first quarter of 2007 on contracts still being held on March 31, 2007 is $1.0 million. The gain recognized during the first quarter of 2007 on contracts that matured is $14.0 million.

In June of 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109." FIN No. 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN No. 48 states that a tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Company adopted FIN No. 48 on January 1, 2007 and recorded a decrease to retained earnings of approximately $36.6 million, net of minority interest. Further information is included in Note 13.

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

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

2. Investments

Three Months Ended March 31		**2007**		2006
(In millions)				
Net investment income consisted of:				
Fixed maturities	**$**	**496.4**	$	421.3
Short-term investments		**96.2**		95.3
Limited partnerships		**63.0**		80.1
Equity securities		**5.1**		7.9
Income from trading portfolio		**91.4**		112.9
Interest expense on funds withheld and other deposits		**(0.5)**		(24.8)
Other		**21.7**		23.5
Total investment income		**773.3**		716.2
Investment expense		**(7.9)**		(12.1)
Net investment income	**$**	**765.4**	$	704.1

Three Months Ended March 31		**2007**		2006
(In millions)				
Investment gains (losses) are as follows:				
Fixed maturities	**$**	**(17.4)**	$	(10.1)
Equity securities, including short positions		**3.5**		7.0
Derivative instruments		**(7.7)**		6.9
Short-term investments		**(0.1)**		(2.5)
Other, including guaranteed separate account business		**0.4**		0.7
Investment gains (losses)		**(21.3)**		2.0
Gain on issuance of subsidiary stock (Note 7)		**135.3**		
		114.0		2.0
Income tax expense		**(40.6)**		(5.9)
Minority interest		**1.6**		0.1
Investment gains (losses), net	**$**	**75.0**	$	(3.8)

For the three months ended March 31, 2007, other-than-temporary impairment ("OTTI") losses of $87.0 million were recorded primarily in the asset-backed bonds and corporate and other taxable bonds sectors. This compared to OTTI losses for the three months ended March 31, 2006 of $10.0 million recorded primarily in the corporate and other taxable bonds sector.

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

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

March 31, 2007		Amortized Cost		Unrealized Gains		Gross Unrealized Losses Less Than 12 Months		Gross Unrealized Losses Greater Than 12 Months		Fair Value
(In millions)										
Fixed maturity securities:										
U.S. government and obligations of government agencies	**$**	**4,531.1**	**$**	**106.5**	**$**	**0.8**	**$**	**1.5**	**$**	**4,635.3**
Asset-backed securities		**12,606.0**		**32.0**		**23.9**		**128.4**		**12,485.7**
States, municipalities and political subdivisions-tax exempt		**5,450.6**		**221.6**		**2.5**		**4.6**		**5,665.1**
Corporate		**6,707.7**		**307.0**		**3.3**		**8.5**		**7,002.9**
Other debt		**3,496.5**		**208.6**		**4.1**		**3.2**		**3,697.8**
Redeemable preferred stocks		**994.2**		**38.8**						**1,033.0**
Fixed maturities available-for-sale		**33,786.1**		**914.5**		**34.6**		**146.2**		**34,519.8**
Fixed maturities, trading		**623.2**		**6.9**		**1.6**		**1.7**		**626.8**
Total fixed maturities		**34,409.3**		**921.4**		**36.2**		**147.9**		**35,146.6**
Equity securities:										
Equity securities available-for-sale		**351.3**		**256.4**		**0.4**		**0.2**		**607.1**
Equity securities, trading		**677.3**		**96.9**		**15.6**		**6.7**		**751.9**
Total equity securities		**1,028.6**		**353.3**		**16.0**		**6.9**		**1,359.0**
Short-term investments:										
Short-term investments available-for-sale		**10,138.3**		**1.3**		**0.1**				**10,139.5**
Short-term investments, trading		**4,481.7**								**4,481.7**
Total short-term investments		**14,620.0**		**1.3**		**0.1**		**-**		**14,621.2**
Total	**$**	**50,057.9**	**$**	**1,276.0**	**$**	**52.3**	**$**	**154.8**	**$**	**51,126.8**
December 31, 2006										
Fixed maturity securities:										
U.S. government and obligations of government agencies	$	5,055.6	$	86.2	$	2.6	$	1.6	$	5,137.6
Asset-backed securities		13,822.8		27.7		20.8		151.0		13,678.7
States, municipalities and political subdivisions-tax exempt		4,915.2		236.9		1.2		4.6		5,146.3
Corporate		6,810.8		337.8		7.5		9.7		7,131.4
Other debt		3,442.7		207.6		6.6		2.0		3,641.7
Redeemable preferred stocks		885.0		27.8		0.5				912.3
Fixed maturities available-for-sale		34,932.1		924.0		39.2		168.9		35,648.0
Fixed maturities, trading		1,920.5		6.0		4.4		0.4		1,921.7
Total fixed maturities		36,852.6		930.0		43.6		169.3		37,569.7
Equity securities:										
Equity securities available-for-sale		348.4		249.0		0.2		0.2		597.0
Equity securities, trading		618.6		111.6		10.4		8.0		711.8
Total equity securities		967.0		360.6		10.6		8.2		1,308.8
Short-term investments:										
Short-term investments available-for-sale		8,436.9								8,436.9
Short-term investments, trading		4,385.2		0.4		0.1				4,385.5
Total short-term investments		12,822.1		0.4		0.1		–		12,822.4
Total	$	50,641.7	$	1,291.0	$	54.3	$	177.5	$	51,700.9

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

	March 31, 2007		December 31, 2006	
(In millions)	**Estimated Fair Value**	**Gross Unrealized Loss**	Estimated Fair Value	Gross Unrealized Loss
Fixed maturity securities:				
Investment grade:				
0-6 months	**$ 3,380.7**	**$ 27.3**	$ 9,829.3	$ 23.7
7-12 months	**459.3**	**5.7**	1,267.1	11.8
13-24 months	**4,795.5**	**92.0**	5,247.9	127.4
Greater than 24 months	**1,679.1**	**53.9**	1,021.4	41.1
Total investment grade	**10,314.6**	**178.9**	17,365.7	204.0
Non-investment grade:				
0-6 months	**143.0**	**0.5**	509.0	2.1
7-12 months	**29.9**	**1.2**	87.3	1.5
13-24 months	**6.7**	**0.2**	23.9	0.5
Greater than 24 months	**2.3**		2.3	
Total non-investment grade	**181.9**	**1.9**	622.5	4.1
Total fixed maturity securities	**10,496.5**	**180.8**	17,988.2	208.1
Equity securities:				
0-6 months	**19.6**	**0.4**	9.8	0.2
7-12 months			0.7	
13-24 months				
Greater than 24 months	**2.9**	**0.2**	2.9	0.2
Total equity securities	**22.5**	**0.6**	13.4	0.4
Total fixed maturity and equity securities	**$ 10,519.0**	**$ 181.4**	$ 18,001.6	$ 208.5

At March 31, 2007, the carrying value of available-for-sale fixed maturities was $34,519.8 million, representing 64.6% of the total investment portfolio. The net unrealized loss position associated with the available-for-sale fixed maturity portfolio included $180.8 million in gross unrealized losses, consisting of asset-backed securities which represented 84.2%, corporate bonds which represented 6.5%, municipal securities which represented 3.9%, and all other fixed maturity securities which represented 5.4%. The gross unrealized loss for any single issuer was no greater than 0.1% of the carrying value of the total available-for-sale fixed maturity portfolio. The total fixed maturity portfolio gross unrealized losses included 1,253 securities which were, in aggregate, approximately 2.0% below amortized cost.

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

Asset-Backed Securities

The unrealized losses on the Company's investments in asset-backed securities were caused primarily by a change in interest rates. This category includes mortgage-backed securities guaranteed by an agency of the U.S. government. There were 350 agency mortgage-backed pass-through securities and 3 agency collateralized mortgage obligations ("CMOs") in an unrealized loss position as of March 31, 2007. The aggregate severity of the unrealized loss on these securities was approximately 4.0% of amortized cost. These securities do not tend to be influenced by the credit of the issuer but rather the characteristics and projected principal payments of the underlying collateral.

The remainder of the holdings in this category are corporate mortgage-backed pass-through, CMOs and corporate asset-backed structured securities. The holdings in these sectors include 446 securities in an unrealized loss position with over 89.0% of these unrealized losses related to securities rated AAA. The aggregate severity of the unrealized loss was approximately 2.0% of amortized cost. The contractual cash flows on the asset-backed structured securities are pass-through but may be structured into classes of preference. The structured securities held are generally secured by over collateralization or default protection provided by subordinated tranches. Within this category, securities subject to Emerging Issues Task Force ("EITF") Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," are monitored for adverse changes in cash flow projections. If there are adverse changes in cash flows the amount of accretable yield is prospectively adjusted and an OTTI loss is recognized. As of March 31, 2007, there was no adverse change in estimated cash flows noted for the securities subject to EITF No. 99-20, which have an aggregate unrealized loss of $9.0 million and an aggregate severity of the unrealized loss of approximately 1.0% of amortized cost.

Because the decline in fair value was primarily attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold those investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at March 31, 2007.

Investment Commitments

As of March 31, 2007 and December 31, 2006, the Company had committed approximately $114.0 million and $109.0 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in multiple bank loan participations as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlement is made. As of March 31, 2007 and December 31, 2006, the Company had commitments to purchase $150.8 million and $64.0 million, and sell $45.8 million and $23.7 million of various bank loan participations. When loan participation purchases are settled and recorded they may contain both funded and unfunded amounts. An unfunded loan represents an obligation by the Company to provide additional amounts under the terms of the loan participation. The funded portions are reflected on the Consolidated Condensed Balance Sheets, while any unfunded amounts are not recorded until a draw is made under the loan facility. As of March 31, 2007 and December 31, 2006, the Company had obligations on unfunded bank loan participations in the amount of $17.0 million and $29.0 million.

3. Earnings Per Share

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

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

The attribution of income to each class of common stock for the three months ended March 31, 2007 and 2006, was as follows:

Three Months Ended March 31		**2007**		2006
(In millions, except %)				
Loews common stock:				
Consolidated net income	**$**	**768.3**	$	541.0
Less income attributable to Carolina Group stock		**117.6**		67.6
Income attributable to Loews common stock	**$**	**650.7**	$	473.4
Carolina Group stock:				
Income available to Carolina Group stock	**$**	**188.7**	$	150.1
Weighted average economic interest of the Carolina Group		**62.4%**		45.0%
Income attributable to Carolina Group stock	**$**	**117.6**	$	67.6

The following is a reconciliation of basic weighted shares outstanding to diluted weighted shares attributable to Carolina Group stock for the three months ended March 31, 2007 and 2006.

Three Months Ended March 31	**2007**	2006
(In millions)		
Weighted average shares outstanding, basic	**108.38**	78.23
Stock based compensation awards	**0.13**	0.10
Weighted average shares outstanding, diluted	**108.51**	78.33

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

Three Months Ended March 31	**2007**	2006
Loews common stock	**2,779**	151,880
Carolina Group stock	**556**	567

For the three months ended March 31, 2007 and 2006, net income per common share attributable to Loews common stock assuming dilution is the same as basic net income per share because the impact of securities that could potentially dilute basic net income per common share was insignificant or antidilutive for the periods presented.

4. Loews and Carolina Group Consolidating Condensed Financial Information

The principal assets and liabilities attributed to the Carolina Group are the Company’s 100% stock ownership interest in Lorillard, Inc.; notional, intergroup debt owed by the Carolina Group to the Loews Group ($1.1 billion outstanding at March 31, 2007), bearing interest at the annual rate of 8.0% and, subject to optional prepayment, due December 31, 2021; and any and all liabilities, costs and expenses of the Company and Lorillard arising out of or related to tobacco or tobacco-related businesses.

As of March 31, 2007, the outstanding Carolina Group stock represents a 62.4% economic interest in the economic performance of the Carolina Group. The Loews Group consists of all of the Company’s assets and liabilities other than the 62.4% economic interest represented by the outstanding Carolina Group stock, and includes as an asset the notional, intergroup debt of the Carolina Group. Holders of the Company’s common stock and of Carolina Group stock are shareholders of Loews Corporation and are subject to the risks related to an equity investment in Loews Corporation. Each outstanding share of Carolina Group stock has 3/10 of a vote per share.

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

	Carolina Group					
March 31, 2007	**Lorillard**	**Other**	**Consolidated**	**Loews Group**	**Adjustments and Eliminations**	**Total**
(In millions)						
Assets:						
Investments	$ 1,448.4	$ 100.7	$ 1,549.1	$ 51,872.4		$ 53,421.5
Cash	0.8	0.9	1.7	126.8		128.5
Receivables	18.1	0.1	18.2	13,060.7	$ (14.9) (a)	13,064.0
Property, plant and equipment	200.0		200.0	5,520.4		5,720.4
Deferred income taxes	519.3		519.3	85.9		605.2
Goodwill and other intangible assets				297.4		297.4
Other assets	326.7		326.7	1,471.5		1,798.2
Investment in combined attributed net assets of the Carolina Group				1,179.1	(1,088.0) (a)	
					(91.1) (b)	
Deferred acquisition costs of insurance subsidiaries				1,189.5		1,189.5
Separate account business				514.9		514.9
Total assets	$ 2,513.3	$ 101.7	$ 2,615.0	$ 75,318.6	$ (1,194.0)	$ 76,739.6
Liabilities and Shareholders' Equity:						
Insurance reserves				$ 41,065.5		$ 41,065.5
Payable for securities purchased				1,380.6		1,380.6
Collateral on loaned securities				2,914.1		2,914.1
Short-term debt				4.3		4.3
Long-term debt		$ 1,088.0	$ 1,088.0	5,128.1	$ (1,088.0) (a)	5,128.1
Reinsurance balances payable				576.8		576.8
Other liabilities	$ 1,274.4	10.6	1,285.0	3,562.2	(14.9) (a)	4,832.3
Separate account business				514.9		514.9
Total liabilities	1,274.4	1,098.6	2,373.0	55,146.5	(1,102.9)	56,416.6
Minority interest				3,405.5		3,405.5
Shareholders' equity	1,238.9	(996.9)	242.0	16,766.6	(91.1) (b)	16,917.5
Total liabilities and shareholders' equity	$ 2,513.3	$ 101.7	$ 2,615.0	$ 75,318.6	$ (1,194.0)	$ 76,739.6

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

Loews and Carolina Group
Consolidating Condensed Balance Sheet Information

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

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

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Three Months Ended March 31, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 1,862.3		$ 1,862.3
Net investment income	$ 31.5	$ 2.3	$ 33.8	754.8	$ (23.2) (a)	765.4
Investment gains (losses)	0.1		0.1	(21.4)		(21.3)
Gain on issuance of subsidiary stock				135.3		135.3
Manufactured products	913.0		913.0	46.2		959.2
Other	0.4		0.4	958.4		958.8
Total	945.0	2.3	947.3	3,735.6	(23.2)	4,659.7
Expenses:						
Insurance claims and policyholders' benefits				1,447.9		1,447.9
Amortization of deferred acquisition costs				380.9		380.9
Cost of manufactured products sold	544.3		544.3	23.2		567.5
Other operating expenses	81.8	0.1	81.9	715.6		797.5
Interest		23.2	23.2	78.6	(23.2) (a)	78.6
Total	626.1	23.3	649.4	2,646.2	(23.2)	3,272.4
	318.9	(21.0)	297.9	1,089.4		1,387.3
Income tax expense (benefit)	116.9	(7.7)	109.2	346.1		455.3
Minority interest				165.9		165.9
Total	116.9	(7.7)	109.2	512.0		621.2
Income (loss) from operations	202.0	(13.3)	188.7	577.4		766.1
Equity in earnings of the Carolina Group				71.1	(71.1) (b)	
Income (loss) from continuing operations	202.0	(13.3)	188.7	648.5	(71.1)	766.1
Discontinued operations, net				2.2		2.2
Net income (loss)	$ 202.0	$ (13.3)	$ 188.7	$ 650.7	$ (71.1)	$ 768.3

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

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Three Months Ended March 31, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 1,868.6		$ 1,868.6
Net investment income	$ 24.8	$ 1.8	$ 26.6	709.0	$ (31.5) (a)	704.1
Investment gains (losses)	(0.6)		(0.6)	2.6		2.0
Manufactured products	854.8		854.8	43.6		898.4
Other				771.4		771.4
Total	879.0	1.8	880.8	3,395.2	(31.5)	4,244.5
Expenses:						
Insurance claims and policyholders' benefits				1,492.0		1,492.0
Amortization of deferred acquisition costs				370.2		370.2
Cost of manufactured products sold	511.7		511.7	21.6		533.3
Other operating expenses	92.8	0.1	92.9	696.9		789.8
Interest		31.5	31.5	74.6	(31.5)(a)	74.6
Total	604.5	31.6	636.1	2,655.3	(31.5)	3,259.9
	274.5	(29.8)	244.7	739.9	-	984.6
Income tax expense (benefit)	106.1	(11.5)	94.6	239.6		334.2
Minority interest				104.4		104.4
Total	106.1	(11.5)	94.6	344.0	-	438.6
Income (loss) from operations	168.4	(18.3)	150.1	395.9	-	546.0
Equity in earnings of the Carolina Group				82.5	(82.5) (b)	
Income (loss) from continuing operations	168.4	(18.3)	150.1	478.4	(82.5)	546.0
Discontinued operations, net				(5.0)		(5.0)
Net income (loss)	$ 168.4	$ (18.3)	$ 150.1	$ 473.4	$ (82.5)	$ 541.0

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

Loews and Carolina Group
Consolidating Condensed Statement of Cash Flows Information

Three Months Ended March 31, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Net cash (used) provided by operating activities	$ (93.2)	$ (13.9)	$ (107.1)	$ 130.7	$ (29.8)	$ (6.2)
Investing activities:						
Purchases of property and equipment	(13.8)		(13.8)	(310.3)		(324.1)
Change in short-term investments	607.9	0.3	608.2	(1,029.1)		(420.9)
Other investing activities	(267.6)		(267.6)	1,552.5	(141.7)	1,143.2
	326.5	0.3	326.8	213.1	(141.7)	398.2
Financing activities:						
Dividends paid	(235.0)	155.9	(79.1)	(33.9)	29.8	(83.2)
Reduction of intergroup notional debt		(141.7)	(141.7)		141.7	
Excess tax benefits from share based compensation	1.3		1.3	2.9		4.2
Other financing activities				(335.3)		(335.3)
	(233.7)	14.2	(219.5)	(366.3)	171.5	(414.3)
Net change in cash	(0.4)	0.6	0.2	(22.5)		(22.3)
Net cash transactions from:						
Continuing operations to discontinued operations				(0.4)		(0.4)
Discontinued operations to continuing operations				0.4		0.4
Cash, beginning of period	1.2	0.3	1.5	172.5		174.0
Cash, end of period	$ 0.8	$ 0.9	$ 1.7	$ 150.0	$ -	$ 151.7

Loews and Carolina Group
Consolidating Condensed Statement of Cash Flows Information

Three Months Ended March 31, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Net cash (used) provided by operating activities	$ (143.4)	$ (19.3)	$ (162.7)	$ 865.0	$ (43.4)	$ 658.9
Investing activities:						
Purchases of property and equipment	(7.8)		(7.8)	(192.1)		(199.9)
Change in short-term investments	791.9	0.2	792.1	(4,166.0)		(3,373.9)
Other investing activities	(442.0)		(442.0)	4,015.0	(101.6)	3,471.4
	342.1	0.2	342.3	(343.1)	(101.6)	(102.4)
Financing activities:						
Dividends paid	(200.0)	121.0	(79.0)	(27.9)	43.4	(63.5)
Reduction of intergroup notional debt		(101.6)	(101.6)		101.6	
Excess tax benefits from share based compensation	0.6		0.6	1.9		2.5
Other financing activities				(531.6)		(531.6)
	(199.4)	19.4	(180.0)	(557.6)	145.0	(592.6)
Net change in cash	(0.7)	0.3	(0.4)	(35.7)		(36.1)
Net cash transactions from:						
Continuing operations to discontinued operations				15.9		15.9
Discontinued operations to continuing operations				(15.9)		(15.9)
Cash, beginning of period	2.4	0.1	2.5	179.5		182.0
Cash, end of period	$ 1.7	$ 0.4	$ 2.1	$ 143.8	$ -	$ 145.9

5. Receivables

	March 31, 2007	December 31, 2006
(In millions)		
Reinsurance	**$ 9,841.9**	$ 9,947.3
Other insurance	**2,535.3**	2,475.8
Security sales	**502.2**	325.9
Accrued investment income	**330.8**	331.4
Other	**715.3**	810.8
Total	**13,925.5**	13,891.2
Less: allowance for doubtful accounts on reinsurance receivables	**469.4**	469.6
allowance for other doubtful accounts and cash discounts	**392.1**	394.3
Receivables	**$ 13,064.0**	$ 13,027.3

6. Claim and Claim Adjustment Expense Reserves

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

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

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and/or equity. Catastrophe losses, net of reinsurance, were $32.0 million and $12.0 million for the three months ended March 31, 2007 and 2006. Catastrophe losses in the first quarter of 2007 related primarily to tornadoes and winter storms. Catastrophe losses in the first quarter of 2006 related primarily to tornadoes. There can be no assurance that CNA's ultimate cost for catastrophes will not exceed estimates.

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

APMT Reserves

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

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

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

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

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

	March 31, 2007		December 31, 2006	
	Asbestos	**Environmental Pollution and Mass Tort**	Asbestos	Environmental Pollution and Mass Tort
(In millions)				
Gross reserves	**$ 2,503.0**	**$ 629.0**	$ 2,635.0	$ 647.0
Ceded reserves	**(1,115.0)**	**(220.0)**	(1,183.0)	(231.0)
Net reserves	**$ 1,388.0**	**$ 409.0**	$ 1,452.0	$ 416.0

Asbestos

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

As of March 31, 2007 and December 31, 2006, CNA carried approximately $1,388.0 million and $1,452.0 million of claim and claim adjustment expense reserves, net of reinsurance recoverables, for reported and unreported asbestos-related claims. There was no asbestos-related net claim and claim adjustment expense reserve development recorded for the three months ended March 31, 2007. CNA recorded $1.0 million of unfavorable asbestos-related net claim and claim adjustment expense reserve development for the three months ended March 31, 2006. CNA paid asbestos-related claims, net of reinsurance recoveries, of $64.0 million and $47.0 million for the three months ended March 31, 2007 and 2006. On February 2, 2007, CNA paid $31.0 million to the Owens Corning Fibreboard Trust. Such payment was made pursuant to CNA's 1993 settlement with Fibreboard.

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

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

On February 13, 2003, CNA announced it had resolved asbestos related coverage litigation and claims involving A.P. Green Industries, A.P. Green Services and Bigelow - Liptak Corporation. Under the agreement, CNA is required to pay $70.0 million, net of reinsurance recoveries, over a ten year period commencing after the final approval of a bankruptcy plan of reorganization. The settlement resolves CNA's liabilities for all pending and future asbestos and silica claims involving A.P. Green Industries, Bigelow - Liptak Corporation and related subsidiaries, including alleged "non-products" exposures. The settlement received initial bankruptcy court approval on August 18, 2003. The court has held a confirmation hearing on the bankruptcy plan containing an injunction to protect CNA from any future claims and the parties are awaiting a ruling on confirmation.

CNA is engaged in insurance coverage litigation in New York State Court, filed in 2003, with a defendant class of underlying plaintiffs who have asbestos bodily injury claims against the former Robert A. Keasbey Company ("Keasbey") (*Continental Casualty Co. v. Employers Ins. of Wausau et al.*, No. 601037/03 (N.Y. County)). Keasbey, a currently dissolved corporation, was a seller and installer of asbestos-containing insulation products in New York and New Jersey. Thousands of plaintiffs have filed bodily injury claims against Keasbey; however, Keasbey's involvement at a number of work sites is a highly contested issue. Therefore, the defense disputes the percentage of valid claims against Keasbey. CNA issued Keasbey primary policies for 1970-1987 and excess policies for 1972-1978. CNA has paid an amount substantially equal to the policies' aggregate limits for products and completed operations claims in the confirmed CNA policies. Claimants against Keasbey allege, among other things, that CNA owes coverage under sections of the policies not subject to the aggregate limits, an allegation CNA vigorously contests in the lawsuit. In the litigation, CNA and the claimants seek declaratory relief as to the interpretation of various policy provisions. The court dismissed a claim alleging bad faith and seeking unspecified damages on March 21, 2004; that ruling was affirmed on March 31, 2005 by Appellate Division, First Department. The trial in the Keasbey coverage action commenced on July 13, 2005; closing arguments concluded on October 28, 2005. The Court reopened the record in January 2006 for additional evidentiary submissions and briefing, and additional closing arguments were held March 27, 2006. It is unclear when CNA will have a decision from the trial court. With respect to this litigation in particular, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include, among others: (a) whether CNA has any further responsibility to compensate claimants against Keasbey under its policies and, if so, under which policies; (b) whether CNA's responsibilities extend to a particular claimant's entire claim or only to a limited percentage of the claim; (c) whether CNA's responsibilities under its policies are limited by the occurrence limits or other provisions of the policies; (d) whether certain exclusions in some of the policies apply to exclude certain claims; (e) the extent to which claimants can establish exposures to asbestos materials as to which Keasbey has any responsibility; (f) the legal theories which must be pursued by such claimants to establish the liability of Keasbey and whether such theories can, in fact, be established; (g) the diseases and damages alleged by such claimants; and (h) the extent that such liability would be shared with other responsible parties. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

CNA has insurance coverage disputes related to asbestos bodily injury claims against a bankrupt insured, Burns & Roe Enterprises, Inc. ("Burns & Roe"). These disputes are currently part of coverage litigation (stayed in view of the bankruptcy) and an adversary proceeding in *In re: Burns & Roe Enterprises, Inc.*, pending in the U.S. Bankruptcy Court for the District of New Jersey, No. 00-41610. Burns & Roe provided engineering and related services in connection with construction projects. At the time of its bankruptcy filing, on December 4, 2000, Burns & Roe asserted that it faced approximately 11,000 claims alleging bodily injury resulting from exposure to asbestos as a result of construction projects in which Burns & Roe was involved. CNA allegedly provided primary liability coverage to Burns & Roe from 1956-1969 and 1971-1974, along with certain project-specific policies from 1964-1970. The litigation involves disputes over the confirmation of the Plan of Reorganization in bankruptcy, the scope and extent of coverage, if any, afforded to Burns & Roe for its asbestos liabilities. On December 5, 2005, Burns & Roe filed its Third Amended Plan of Reorganization ("Plan"). A confirmation hearing relating to that Plan is anticipated in 2007. Coverage issues will be determined in a later proceeding. With respect to both confirmation of the Plan and coverage issues, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include, among others: (a) whether CNA has any further responsibility to compensate claimants against Burns & Roe under its policies and, if so, under which; (b) whether CNA's responsibilities under its policies extend to a particular claimant's entire claim or only to a limited percentage of the claim; (c) whether CNA's responsibilities under its policies are limited by the occurrence limits or other provisions of the policies; (d) whether certain exclusions, including professional liability exclusions, in some of CNA's policies apply to exclude certain claims; (e) the extent to which claimants can establish exposure to asbestos materials as to which Burns & Roe has any responsibility; (f) the legal theories which must be pursued by such claimants to establish the liability of Burns & Roe and whether such theories can, in fact, be established; (g) the diseases and damages alleged by such claimants; (h) the extent that any liability of Burns & Roe would be shared with other potentially responsible parties; and (i) the impact of bankruptcy proceedings on claims and coverage issue resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

Suits have also been initiated directly against the CNA companies and numerous other insurers in two jurisdictions: Texas and Montana. Lawsuits were filed in Texas beginning in 2002, against two CNA companies and numerous other insurers and non-insurer corporate defendants asserting liability for failing to warn of the dangers of asbestos (e.g. *Boson v. Union Carbide Corp.,* (Nueces County, Texas)). During 2003, many of the Texas suits were dismissed as time-barred by the applicable Statute of Limitations. In other suits, the carriers argued that they did not owe any duty to the plaintiffs or the general public to advise the world generally or the plaintiffs particularly of the effects of asbestos and that Texas statutes precluded liability for such claims, and two Texas courts dismissed these suits. Certain of the Texas courts' rulings were appealed, but plaintiffs later dismissed their appeals. A different Texas court denied similar motions seeking dismissal at the pleading stage, allowing limited discovery to proceed. After that court denied a related challenge to jurisdiction, the insurers transferred those cases, among others, to a state multi-district litigation court in Harris County charged with handling asbestos cases, and the cases remain in that court. The insurers have petitioned the appellate court in Houston for an order of mandamus, requiring the multi-district litigation court to dismiss the cases on jurisdictional and substantive grounds. With respect to this litigation in particular, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (a) the speculative nature and unclear scope of any alleged duties owed to individuals exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (b) the fact that imposing such duties on all insurer and non-insurer corporate defendants would be unprecedented and, therefore, the legal boundaries of recovery are difficult to estimate; (c) the fact that many of the claims brought to date are barred by various Statutes of Limitation and it is unclear whether future claims would also be barred; (d) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; and (e) the existence of hundreds of co-defendants in some of the suits and the applicability of the legal theories pled by the claimants to thousands of potential defendants. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

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

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

Environmental Pollution and Mass Tort

As of March 31, 2007 and December 31, 2006, CNA carried approximately $409.0 million and $416.0 million of claim and claim adjustment expense reserves, net of reinsurance recoverables, for reported and unreported environmental pollution and mass tort claims. There was no environmental pollution and mass tort net claim and claim adjustment expense reserve development recorded for the three months ended March 31, 2007 or 2006. CNA recorded $15.0 million and $10.0 million of current accident year losses related to mass tort for the three months ended March 31, 2007 and 2006. CNA paid environmental pollution-related claims and mass tort-related claims, net of reinsurance recoveries, of $22.0 million and $37.0 million for the three months ended March 31, 2007 and 2006.

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

Net Prior Year Development

The following table includes the net prior year development recorded for Standard Lines, Specialty Lines and Other Insurance for the three months ended March 31, 2007. The development presented below includes premium development due to its direct relationship to claim and claim adjustment expense reserve development. The development presented below excludes the impact of the provision for uncollectible reinsurance, but includes the impact of commutations.

Three Months Ended March 31, 2007	**Standard Lines**	**Specialty Lines**	**Other Insurance**	**Total**
(In millions)				
Pretax unfavorable net prior year claim and allocated claim adjustment expense reserve development				
Core (Non-APMT)	**$ 13.0**	**$ 7.0**	**$**	**$ 20.0**
Total unfavorable (favorable) premium development	**(27.0)**	**(9.0)**	**2.0**	**(34.0)**
Total unfavorable (favorable) net prior year development (pretax)	**$ (14.0)**	**$ (2.0)**	**$ 2.0**	**$ (14.0)**

The following discussion relates to net prior year development recorded for Standard Lines for the three months ended March 31, 2007.

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

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

The following table includes the net prior year development recorded for Standard Lines, Specialty Lines and Other Insurance for the three months ended March 31, 2006.

Three Months Ended March 31, 2006	Standard Lines	Specialty Lines	Other Insurance	Total
(In millions)				
Pretax unfavorable net prior year claim and allocated claim adjustment expense reserve development				
Core (Non-APMT)	$ 59.0	$ 5.0	$ 6.0	$ 70.0
APMT			1.0	1.0
Pretax unfavorable net prior year development before impact of premium development	59.0	5.0	7.0	71.0
Total unfavorable (favorable) premium development	(49.0)	(8.0)	7.0	(50.0)
Total unfavorable (favorable) net prior year development (pretax)	$ 10.0	$ (3.0)	$ 14.0	$ 21.0

The following discussion relates to net prior year development recorded for Standard Lines for the three months ended March 31, 2006.

Approximately $17.0 million of unfavorable claim and allocated claim adjustment expense reserve development was due to higher frequency and severity on claims related to commercial auto, monoline and package liability, primarily in accident years 2004, 2000 and prior. The change was driven by increases in individual claim case reserve estimates leading to higher results from projections that rely on case incurred loss.

Approximately $11.0 million of favorable claim and allocated claim adjustment expense reserve development was related to lower severities on the excess and surplus lines business, in accident years 2000 and subsequent. These severity changes were driven primarily by judicial decisions and settlement activities on individual cases. The severity changes led to lower case incurred loss and lower ultimate estimates.

Approximately $22.0 million of favorable claim and allocated claim adjustment expense reserve development was related to continued improvement in the severity and number of claims for property coverages, primarily in accident year 2005. The improvements in severity and frequency were substantially due to underwriting actions taken by CNA that significantly improved the results from this business.

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

The remainder of the unfavorable claim and allocated claim adjustment expense reserve development in Standard Lines was primarily attributed to increased severity trends for workers' compensation. This increased severity was due to continuing cost inflation in older accident years, primarily 2002 and prior. The primary drivers of the continuing claim cost inflation were increasing medical inflation and advances in medical care. The favorable net prior year premium development was recorded mainly as a result of additional premium resulting from audits on recent policies, primarily workers' compensation.

7. Significant Transactions

Gain on Issuance of Subsidiary Stock

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

Diamond Offshore

In the first quarter of 2007, the holders of $438.5 million in principal amount of Diamond Offshore's 1.5% debentures converted their outstanding debentures into 8.9 million shares of Diamond Offshore's common stock at a price of $49.02 per share. In addition, the holders of $1.5 million accreted value at the dates of conversion, or $2.4 million aggregate principal amount at maturity, of Diamond Offshore's Zero Coupon Debentures converted their outstanding debentures into 20,658 shares of Diamond Offshore's common stock at a price of $73.00 per share.

The Company's ownership interest in Diamond Offshore declined from approximately 54% to 51% due to these transactions. In accordance with SAB No. 51, the Company recognized a pretax gain of $138.2 million ($89.2 million after provision for deferred income taxes) on the issuance of subsidiary stock.

Prior to the conversion of Diamond Offshore's 1.5% convertible debentures, the Company carried a deferred tax liability related to interest expense imputed on the bonds for U.S. federal income tax purposes. As a result of the conversion, the deferred tax liability was settled and a tax benefit of $25.7 million, net of minority interest, was included in shareholders' equity as an increase in additional paid-in-capital.

Boardwalk Pipeline

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

8. Benefit Plans

Pension Plans - The Company has several non-contributory defined benefit plans for eligible employees. The benefits for certain plans which cover salaried employees and certain union employees are based on formulas which include, among others, years of service and average pay. The benefits for one plan which covers union workers under various union contracts and certain salaried employees are based on years of service multiplied by a stated amount. Benefits for another plan are determined annually based on a specified percentage of annual earnings (based on the participant's age) and a specified interest rate (which is established annually for all participants) applied to accrued balances. The Company's funding policy is to make contributions in accordance with applicable governmental regulatory requirements.

Other Postretirement Benefit Plans - The Company has several postretirement benefit plans covering eligible employees and retirees. Participants generally become eligible after reaching age 55 with required years of service. Actual requirements for coverage vary by plan. Benefits for retirees who were covered by bargaining units vary by each unit and contract. Benefits for certain retirees are in the form of a Company health care account.

Benefits for retirees reaching age 65 are generally integrated with Medicare. Other retirees, based on plan provisions, must use Medicare as their primary coverage, with the Company reimbursing a portion of the unpaid amount; or are reimbursed for the Medicare Part B premium or have no Company coverage. The benefits provided by the Company are basically health and, for certain retirees, life insurance type benefits.

The Company funds certain of these benefit plans and accrues postretirement benefits during the active service of those employees who would become eligible for such benefits when they retire.

Net periodic benefit cost components:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31	**2007**	2006	**2007**	2006
(In millions)				
Service cost	**$ 15.8**	$ 15.1	**$ 2.3**	$ 3.3
Interest cost	**58.0**	54.7	**6.5**	8.2
Expected return on plan assets	**(68.0)**	(60.7)	**(1.2)**	(1.2)
Amortization of net loss	**0.8**	1.9	**0.3**	0.5
Amortization of prior service cost (credit)	**1.6**	1.7	**(6.8)**	(8.2)
Actuarial loss	**4.5**	10.6	**0.7**	1.4
Settlement costs	**3.1**			
Regulatory asset decrease			**1.4**	3.3
Net periodic benefit cost	**$ 15.8**	$ 23.3	**$ 3.2**	$ 7.3

At December 31, 2006, the Company expected to contribute $64.2 million to its pension plans and $27.3 million to its postretirement healthcare and life insurance benefit plans in 2007. As of March 31, 2007, $2.0 million of contributions have been made to pension plans and $3.0 million to postretirement healthcare and life insurance benefit plans. The Company plans to contribute an additional $62.2 million to its pension plans and $24.3 million to its postretirement healthcare and life insurance benefit plans during the remainder of 2007.

9. Business Segments

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

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

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

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

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

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

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

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

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

Three Months Ended March 31	2007	2006
(In millions)		
Revenues (a):		
CNA Financial:		
Standard Lines	**$ 1,314.0**	$ 1,347.4
Specialty Lines	**789.0**	751.3
Life and Group Non-Core	**329.9**	350.2
Other Insurance	**84.1**	51.6
Total CNA Financial	**2,517.0**	2,500.5
Lorillard	**944.9**	879.6
Boardwalk Pipeline	**190.4**	175.0
Diamond Offshore	**618.9**	458.7
Loews Hotels	**95.3**	93.4
Corporate and other	**293.2**	137.3
Total	**$ 4,659.7**	$ 4,244.5
Pretax income (loss) (a):		
CNA Financial:		
Standard Lines	**$ 238.0**	$ 205.5
Specialty Lines	**177.8**	182.4
Life and Group Non-Core	**(7.0)**	(25.6)
Other Insurance	**29.2**	(7.2)
Total CNA Financial	**438.0**	355.1
Lorillard	**318.8**	275.1
Boardwalk Pipeline	**80.3**	69.4
Diamond Offshore	**309.1**	205.3
Loews Hotels	**17.8**	13.9
Corporate and other	**223.3**	65.8
Total	**$ 1,387.3**	$ 984.6

Three Months Ended March 31		2007		2006
(In millions)				
Net income (loss) (a):				
CNA Financial:				
Standard Lines	$	**142.1**	$	129.8
Specialty Lines		**99.3**		105.5
Life and Group Non-Core		**2.6**		(9.5)
Other Insurance		**18.6**		(8.2)
Total CNA Financial		**262.6**		217.6
Lorillard		**201.9**		168.8
Boardwalk Pipeline		**39.1**		35.7
Diamond Offshore		**107.2**		72.3
Loews Hotels		**10.9**		8.5
Corporate and other		**144.4**		43.1
Income from continuing operations		**766.1**		546.0
Discontinued operations		**2.2**		(5.0)
Total	$	**768.3**	$	541.0

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

Three Months Ended March 31		2007		2006
Revenues and pretax income (loss):				
CNA Financial:				
Standard Lines	$	**(28.1)**	$	13.2
Specialty Lines		**(10.5)**		3.0
Life and Group Non-Core		**0.6**		(11.6)
Other Insurance		**16.6**		4.2
Total CNA Financial		**(21.4)**		8.8
Corporate and other		**135.4**		(6.8)
Total	$	**114.0**	$	2.0
Net income (loss):				
CNA Financial:				
Standard Lines	$	**(16.3)**	$	8.1
Specialty Lines		**(6.0)**		1.8
Life and Group Non-Core		**0.3**		(6.9)
Other Insurance		**9.6**		(2.5)
Total CNA Financial		**(12.4)**		0.5
Corporate and other		**87.4**		(4.3)
Total	$	**75.0**	$	(3.8)

10. Legal Proceedings

INSURANCE RELATED

California Long Term Care Litigation

Shaffer v. Continental Casualty Company, et al., U.S. District Court, Central District of California, CV06-2235 RGK, is a class action on behalf of certain California long term health care policyholders, alleging that Continental Casualty Company ("CCC") knowingly used unrealistic actuarial assumptions in pricing these policies, which according to plaintiff, would inevitably necessitate premium increases. The plaintiff asserts claims for intentional fraud, negligent misrepresentation, and violations of various California statutes. On January 26, 2007, the court certified the case to proceed as a class action, although CCC is currently seeking review of that decision in the Ninth

Circuit Court of Appeals. CCC has denied the material allegations of the amended complaint and intends to vigorously contest the claims. In February of 2007, CCC and CNA filed motions for summary judgment seeking judgment as a matter of law in their favor. In April of 2007, the Court denied the motions for summary judgment with the exception of the motion relating to plaintiffs' claim under the California Legal Remedies Act ("CLRA") which was dismissed. The claim under CLRA involved a provision for claims of awards for attorneys' fees and enhanced damages.

Numerous unresolved factual and legal issues remain that are critical to the final result with regard to the surviving claims, the outcome of which cannot be predicted with any reliability. Accordingly, the extent of losses are not readily determinable at this time. However, based on facts and circumstances presently known in the opinion of management, an unfavorable outcome would not materially adversely affect the equity of the Company, although results of operations may be adversely affected.

Insurance Brokerage Antitrust Litigation

On August 1, 2005, CNA and several of its insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, *In re Insurance Brokerage Antitrust Litigation,* Civil No. 04-5184 (FSH). The plaintiffs in this litigation allege improprieties in the payment of contingent commissions to brokers and bid rigging in connection with the sale of various lines of insurance. The plaintiffs further allege the existence of a conspiracy and assert claims for federal and state antitrust law violations, for violations of the federal Racketeer Influenced and Corrupt Organizations Act and for recovery under various state common law theories. By an order entered on April 5, 2007, the Court dismissed the plaintiffs' complaints but gave plaintiffs another opportunity to amend their claims. CNA believes it has meritorious defenses to this action and intends to defend the case vigorously.

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

Global Crossing Limited Litigation

CCC has been named as a defendant in an action brought by the bankruptcy estate of Global Crossing Limited ("Global Crossing") in the United States Bankruptcy Court for the Southern District of New York. In the Complaint, served on CCC on May 24, 2005, plaintiff seeks unspecified monetary damages from CCC and the other defendants for alleged fraudulent transfers and alleged breaches of fiduciary duties arising from actions taken by Global Crossing while CCC was a shareholder of Global Crossing. On August 3, 2006, the Court granted in part and denied in part CCC's motion to dismiss the Estate Representative's Amended Complaint. CCC believes it has meritorious defenses to the remaining claims in this action and intends to defend the case vigorously.

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

IGI Contingency

In 1997, CNA Reinsurance Company Limited ("CNA Re Ltd.") entered into an arrangement with IOA Global, Ltd. ("IOA"), an independent managing general agent based in Philadelphia, Pennsylvania, to develop and manage a book of accident and health coverages. Pursuant to this arrangement, IGI Underwriting Agencies, Ltd. ("IGI"), a personal accident reinsurance managing general underwriter, was appointed to underwrite and market the book under the supervision of IOA. Between April 1, 1997 and December 1, 1999, IGI underwrote a number of reinsurance arrangements with respect to personal accident insurance worldwide (the "IGI Program"). Under various arrangements, CNA Re Ltd. both assumed risks as a reinsurer and also ceded a substantial portion of those risks to other companies, including other CNA insurance subsidiaries and ultimately to a group of reinsurers participating in a reinsurance pool known as the Associated Accident and Health Reinsurance Underwriters ("AAHRU") Facility. CNA's group operations business unit participated as a pool member in the AAHRU Facility in varying percentages between 1997 and 1999.

A portion of the premiums assumed under the IGI Program related to United States workers' compensation "carve-out" business. Some of these premiums were received from John Hancock Mutual Life Insurance Company ("John Hancock") under four excess of loss reinsurance treaties (the "Treaties") issued by CNA Re Ltd. While John Hancock has indicated that it is not able to accurately quantify its potential exposure to its cedents on business which is retroceded to CNA, John Hancock has reported $295.0 million of incurred losses under these Treaties. John Hancock is disputing portions of its assumed obligations resulting in these reported losses, and has advised CNA that it is, or has been, involved in multiple arbitrations with its own cedents, in which proceedings John Hancock is seeking to avoid and/or reduce risks that would otherwise arguably be ceded to CNA through the Treaties. John Hancock has further informed CNA that it has settled several of these disputes, but has not provided CNA with details of the settlements. To the extent that John Hancock is successful in reducing its liabilities in these disputes, that development may have an impact on the recoveries it is seeking under the Treaties from CNA, although CNA believes that John Hancock's ultimate losses will probably materially exceed incurred losses reported to date under the Treaties.

As indicated, CNA arranged substantial reinsurance protection to manage its exposures under the IGI Program, including the United States workers' compensation "carve-out" business ceded from John Hancock and other reinsurers. While certain reinsurers of CNA, including participants in the AAHRU Facility, disputed their liabilities under the reinsurance contracts with respect to the IGI Program, those disputes have been resolved and substantial reinsurance coverage exists for those exposures.

CNA has instituted arbitration proceedings against John Hancock seeking rescission of the Treaties. The hearing before the arbitration panel commenced in April of 2007. Based on information known at this time, CNA believes it has strong grounds to successfully challenge its alleged exposure derived from John Hancock through the ongoing arbitration proceedings, although the outcome of the arbitration cannot be guaranteed with any certainty.

CNA has established reserves for its estimated exposure under the IGI Program, other than that derived from John Hancock, and an estimate for recoverables from retrocessionaires. CNA has not established any reserve for any exposure derived from John Hancock because, as indicated, CNA believes the contract will be rescinded. Although the results of CNA's various loss mitigation strategies with respect to the entire IGI Program to date support the recorded reserves, the estimate of ultimate losses is subject to considerable uncertainty due to the complexities described above, and CNA's inability to guarantee any outcome in the arbitration proceedings. As a result of these uncertainties, the results of operations in future periods may be adversely affected by potentially significant reserve additions. However, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time. Management does not believe that any such reserve additions would be material to the equity of the Company. CNA's position in relation to the IGI Program was unaffected by the sale of CNA Re Ltd. in 2002.

New Jersey Wage and Hour Litigation

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

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

APMT Reserves

CNA is also a party to litigation and claims related to APMT cases arising in the ordinary course of business. See Note 6 for further discussion.

TOBACCO RELATED

Tobacco Related Product Liability Litigation

Approximately 3,940 product liability cases are pending against cigarette manufacturers in the United States. Lorillard is a defendant in approximately 2,830 of these cases.

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

"Conventional product liability cases" are brought by individuals who allege cancer or other health effects caused by smoking cigarettes, by using smokeless tobacco products, by addiction to tobacco, or by exposure to environmental tobacco smoke. Approximately 1,275 cases are pending, including approximately 190 cases against Lorillard. The 1,275 cases include approximately 1,000 cases pending in a single West Virginia court that have been consolidated for trial. Lorillard is a defendant in approximately 70 of the approximately 1,000 consolidated West Virginia cases.

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

"Class action cases" are purported to be brought on behalf of large numbers of individuals for damages allegedly caused by smoking. Ten of these cases are pending against Lorillard. The Company is a defendant in two of the class action cases. In one of the cases pending against Lorillard, *Schwab v. Philip Morris USA, Inc., et al.*, the court has certified a nationwide class composed of purchasers of "light" cigarettes. Lorillard is not a defendant in approximately 35 additional "lights" class actions that are pending against other cigarette manufacturers.

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

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

Excluding the flight attendant and the consolidated West Virginia suits, approximately 325 product liability cases are pending against cigarette manufacturers in U.S. courts. Lorillard is a defendant in approximately 140 of the 325 cases. The Company, which is not a defendant in any of the flight attendant or the consolidated West Virginia matters, is a defendant in three of the actions. Two of these cases are class actions while the third is a conventional product liability case.

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

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

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

CONVENTIONAL PRODUCT LIABILITY CASES - Approximately 1,275 cases are pending against cigarette manufacturers in the United States. Lorillard is a defendant in approximately 190 of these cases. The Company is a defendant in one of the pending cases.

Approximately 1,000 of the 1,275 cases are pending in a single West Virginia court in a consolidated proceeding known as *West Virginia Individual Personal Injury Cases* or "IPIC." During the third quarter of 2006, the court dismissed Lorillard from approximately 800 IPIC cases because those plaintiffs had not submitted evidence that they had smoked a Lorillard product. These dismissals are not final and it is possible some or all of these 800 dismissals could be contested in subsequent appeals noticed by the plaintiffs. Following these dismissals, Lorillard is a defendant in approximately 70 of the 1,000 IPIC cases. The Company is not a defendant in any of the IPIC cases. The court has entered a trial plan to govern the cases, and the first phase of trial is scheduled to begin on March 17, 2008.

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

Some cases against U.S. cigarette manufacturers are scheduled for trial during 2007 and beyond. It is not known whether Lorillard will be a defendant in any of the cases that may be tried in 2007. The Company is not a defendant in any of the cases scheduled for trial in 2007. The trial dates are subject to change.

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

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

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

A trial date is scheduled in one of the flight attendant cases. Trial dates are subject to change.

CLASS ACTION CASES - Lorillard is a defendant in ten pending cases. The Company is a defendant in two of these cases. In most of the pending cases, plaintiffs seek class certification on behalf of groups of cigarette smokers, or the estates of deceased cigarette smokers, who reside in the state in which the case was filed. One of the cases in which Lorillard is a defendant, *Schwab v. Philip Morris USA, Inc., et al.*, is a purported national class action on behalf of purchasers of "light" cigarettes in which plaintiffs' claims are based on defendants' alleged RICO violations. Neither Lorillard nor the Company are defendants in approximately 35 additional class action cases in which plaintiffs assert claims on behalf of smokers or purchasers of "light" cigarettes. These cases are discussed below.

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

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

Although the Florida Supreme Court's 2006 ruling ordered class decertification, it also permits members of the former class to file individual suits, including claims for punitive damages, within a one year period that is scheduled to expire during January of 2008. The Florida Supreme Court further held that these individual plaintiffs are entitled to rely on some of the jury's findings on a number of issues in favor of the plaintiffs in the first phase of the *Engle* trial. These include, among other things, that smoking cigarettes causes a number of diseases; that cigarettes are addictive or dependence-producing; and that the defendants, including Lorillard, were negligent, breached express and implied warranties, placed cigarettes on the market that were defective and unreasonably dangerous, and concealed or conspired to conceal the risks of smoking. Notice of the Florida Supreme Court's 2006 ruling has been published to the former class members. It also is possible that plaintiffs in some of the cases that were on file in Florida at the time the 2006 decision was issued will attempt to rely upon the Supreme Court's decision as support for their claims. In addition, several individuals have filed motions to intervene in the underlying *Engle* case in order to assert claims for damages and to share in the funds paid as a result of an agreement, discussed below, that certain of the *Engle* defendants reached with the class during 2001. It is not possible to estimate the number or ultimate outcomes of lawsuits that could be filed as a result of the Florida Supreme Court's 2006 ruling.

The Florida Supreme Court's 2006 decision also reinstated verdicts that had awarded actual damages to two of the three individuals whose claims were heard during the second phase of the *Engle* trial. These awards totaled approximately $2.8 million to one smoker and $4.0 million to the second, and bear interest at the rate of 10.0% per year. Lorillard's share of either of these verdicts, if any, has not been determined.

Although some of the provisions of the Florida Supreme Court's 2006 *Engle* ruling were favorable to the defendants, they have secured an extension of time to May 21, 2007 to seek review of the case by the U.S. Supreme Court.

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

The *Engle* Agreement provides that in the event that Lorillard, Inc.'s balance sheet net worth falls below $921.2 million (as determined in accordance with generally accepted accounting principles in effect as of July 14, 2000), the stay granted in favor of Lorillard in the *Engle* Agreement would terminate and the class would be free to challenge the Florida legislation. As of March 31, 2007, Lorillard, Inc. had a balance sheet net worth of approximately $1.2 billion. In addition, the *Engle* Agreement requires Lorillard to obtain the written consent of class counsel or the court prior to selling any trademark of or formula comprising a cigarette brand having a U.S. market share of 0.5% or more during the preceding calendar year. The *Engle* Agreement also requires Lorillard to obtain the written consent of the *Engle* class counsel or the court to license to a third party the right to manufacture or sell such a cigarette brand unless the cigarettes to be manufactured under the license will be sold by Lorillard.

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

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

During May of 2004, the jury returned its verdict in the trial's second phase and awarded approximately $591.0 million to fund cessation programs for Louisiana smokers. The court subsequently awarded prejudgment interest. During February of 2007, the Louisiana Court of Appeal issued a ruling that, among other things, reduced the amount of the award by approximately $312.0 million; struck the award of prejudgment interest, which totaled approximately $440.0 million as of December 31, 2006; and ruled that the only class members who are eligible to participate in the smoking cessation program are those who began smoking by September 1, 1988, and whose claims accrued by September 1, 1988. The Louisiana Court of Appeal has returned the case to the trial court, for further proceedings. Lorillard's share of any judgment has not been determined. Both plaintiffs and defendants have petitioned the Louisiana Supreme Court to review the case.

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

Other class action cases - Two additional cases are pending against Lorillard in which motions for class certification were granted. In one of them, *Brown v. The American Tobacco Company, Inc., et al.* (Superior Court, San Diego County, California, filed June 10, 1997), a California court granted defendants' motion to decertify the class. The class decertification order has been affirmed on appeal, but the California Supreme Court has agreed to hear the case. The class originally certified in *Brown* was composed of residents of California who smoked at least one of defendants' cigarettes between June 10, 1993 and April 23, 2001 and who were exposed to defendants' marketing and advertising activities in California. In the second case, *Daniels v. Philip Morris, Incorporated, et al.* (Superior Court, San Diego County, California, filed August 2, 1998), the court granted defendants' motion for summary judgment during 2002 and dismissed the case. The California Court of Appeal affirmed the dismissal during 2004 and plaintiffs have appealed to the California Supreme Court. Prior to granting defendants' motion for summary judgment, the court had certified a class composed of California residents who, while minors, smoked at least one cigarette between April of 1994 and December 31, 1999 and were exposed to defendants' marketing and advertising activities in California. It is possible that either or both of these class certification rulings could be reinstated as a result of the pending appeals.

As discussed above, other cigarette manufacturers are defendants in approximately 35 cases in which plaintiffs' claims are based on the allegedly fraudulent marketing of "lights" or "ultra-lights" cigarettes. Among those "lights" class actions in which neither the Company nor Lorillard are defendants is the case of *Price v. Philip Morris USA* (Circuit Court, Madison County, Illinois, filed February 10, 2000). During March of 2003, the court returned a verdict in favor of the class and awarded it $7.1 billion in actual damages. The court also awarded $3.0 billion in punitive damages to the State of Illinois, which was not a party to the suit, and awarded plaintiffs' counsel approximately $1.8 billion in fees and costs. During December of 2005, the Illinois Supreme Court vacated the damages awards, decertified the class, and ordered that the case be dismissed. The U.S. Supreme Court declined to review the case, and the Illinois trial court dismissed *Price* during December of 2006. The court has not ruled on the motion plaintiffs filed during January of 2007 that seeks an order vacating the dismissal. *Price* is the only "lights" class action to have been tried, although classes have been certified in some of the other pending matters.

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

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

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

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

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

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

Lorillard recorded pretax charges of $249.1 million and $217.0 million ($157.8 million and $133.1 million after taxes) for the three months ended March 31, 2007 and 2006, to accrue its obligations under the State Settlement Agreements. Lorillard's portion of ongoing adjusted payments and legal fees is based on its share of domestic cigarette shipments in the year preceding that in which the payment is due. Accordingly, Lorillard records its portions of ongoing settlement payments as part of cost of manufactured products sold as the related sales occur.

The State Settlement Agreements require that the domestic tobacco industry make annual payments in the following amounts, subject to adjustment for several factors, including inflation, market share and industry volume: $8.4 billion through 2007 and $9.4 billion thereafter. In addition, the domestic tobacco industry is required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of $500.0 million, as well as an additional amount of up to $125.0 million in each year through 2008. These payment obligations are the several and not joint obligations of each settling defendant.

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

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

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

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

FILTER CASES - In addition to the above, claims have been brought against Lorillard by individuals who seek damages resulting from their alleged exposure to asbestos fibers that were incorporated into filter material used in one brand of cigarettes manufactured by Lorillard for a limited period of time ending more than 50 years ago. Approximately 25 such matters are pending against Lorillard. The Company is not a defendant in any of these matters. Since January 1, 2005, Lorillard has paid, or has reached agreement to pay, a total of approximately $14.0 million in payments of judgments and settlements to finally resolve approximately 65 claims. No such cases have been tried since January 1, 2005. Trial dates are scheduled in some of the pending cases. Trial dates are subject to change.

Other Tobacco - Related

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

In the Kansas case, the District Court of Seward County certified a class of Kansas indirect purchasers in 2002. The parties are in the process of litigating certain privilege issues. On July 14, 2006, the Court issued an order confirming that fact discovery is closed, with the exception of privilege issues that the Court determines, based on a

Special Master's report, justify further limited fact discovery. Expert discovery, as necessary, will take place later this year. No date has as yet been set by the Court for dispositive motions and trial.

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

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

Defenses

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

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

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

OTHER LITIGATION

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

11. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification provisions generally survive for periods ranging from nine months following the applicable closing date to the expiration of the relevant statutes of limitation. As of March 31, 2007, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $933.0 million.

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

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

Diamond Offshore Construction Projects

As of March 31, 2007, Diamond Offshore had purchase obligations aggregating approximately $422.0 million related to the major upgrades of the *Ocean Monarch* and the *Ocean Endeavor* and construction of two new jack-up rigs, the *Ocean Scepter* and *Ocean Shield*. Diamond Offshore anticipates that expenditures related to these shipyard projects will be approximately $245.0 million for the remainder of 2007 and $177.0 million in 2008, respectively. However, the actual timing of these expenditures will vary based on the completion of various construction milestones and the timing of the delivery of equipment, which are beyond Diamond Offshore's control.

Pipeline Expansion Projects

Boardwalk Pipeline is engaged in several major expansion projects that will require the investment of significant capital resources. These projects include a 1.7 billion cubic feet (Bcf) pipeline expansion in East Texas/Mississippi, construction of a 1.6 Bcf interstate pipeline from Texas to Louisiana, a 1.2 Bcf pipeline expansion from Mississippi to Alabama, the construction of two laterals connecting its Texas Gas pipeline to transport gas for producers operating in Arkansas and Mississippi and storage expansion projects in western Kentucky and Louisiana. These projects are subject to FERC approval. As of March 31, 2007, Boardwalk Pipeline had purchase commitments of $778.8 million primarily related to its expansion projects.

12. Discontinued Operations

CNA has discontinued operations which consist of run-off insurance operations acquired in its merger with The Continental Corporation in 1995. The business consists of facultative property and casualty, treaty excess casualty and treaty pro-rata reinsurance with underlying exposure to a diverse, multi-line domestic and international book of business encompassing property, casualty, the London Market and marine liabilities. The run-off operations are concentrated in the United Kingdom and Bermuda subsidiaries also acquired in the merger.

Results of CNA's discontinued operations were as follows:

Three Months Ended March 31		2007		2006
(In millions)				
Revenues:				
Net investment income	**$**	**5.6**	$	3.9
Investment losses and other		**(0.7)**		(0.1)
Total revenues		**4.9**		3.8
Insurance related expenses		**(1.3)**		(9.7)
Income (loss) before income taxes and minority interest		**3.6**		(5.9)
Income tax (expense) benefit		**(1.1)**		0.4
Minority interest		**(0.3)**		0.5
Net income (loss) from discontinued operations	**$**	**2.2**	$	(5.0)

On March 3, 2007, CNA entered into an agreement to sell Continental Management Services Limited ("CMS"), its United Kingdom discontinued operations subsidiary, to Tawa UK Limited, a subsidiary of Artemis Group, a diversified French-based holding company. CNA expects this transaction to be completed by the end of the second quarter of 2007, subject to customary closing conditions and regulatory approvals. In anticipation of the sale, the Company recorded an impairment loss of $26.2 million, after tax and minority interest, in 2006. The assets and liabilities subject to the sale are $227.0 million and $145.0 million at March 31, 2007. Net loss for this business was $0.9 million and $4.6 million for the three months ended March 31, 2007 and 2006. CNA's subsidiary, The Continental Corporation, provides a guarantee for a portion of the subject liabilities related to certain marine products. The sale agreement includes provisions that significantly limit CNA's exposure related to this guarantee.

Net assets of discontinued operations, including the assets and liabilities subject to the sale discussed above, are included in Other assets on the Consolidated Condensed Balance Sheets and were as follows:

		March 31, 2007		December 31, 2006
(In millions)				
Assets:				
Investments	**$**	**319.6**	$	317.1
Reinsurance receivables		**34.9**		32.8
Cash		**23.2**		40.1
Other assets		**7.3**		2.8
Total assets		**385.0**		392.8
Liabilities:				
Insurance reserves		**301.8**		307.8
Other liabilities		**10.5**		17.2
Total liabilities		**312.3**		325.0
Net assets of discontinued operations	**$**	**72.7**	$	67.8

CNA's accounting and reporting for discontinued operations is in accordance with APB No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." At March 31, 2007 and December 31, 2006, the insurance reserves are net of discount of $91.7 million and $94.0 million. The income (loss) from discontinued operations reported above primarily represents the net investment income, realized investment gains and losses, foreign currency gains and losses, effects of the accretion of the loss reserve discount and re-estimation of the ultimate claim and claim adjustment expense of the discontinued operations.

13. Income Taxes

The Company and its eligible subsidiaries file a consolidated federal income tax return. The 2005 and 2006 tax years remain subject to examination by the Internal Revenue Service ("IRS"). The Company's consolidated federal income tax return for 2005 is currently under examination by the IRS. The Company believes the outcome of this examination will not have a material effect on its financial condition or results of operations.

For 2007, the IRS has invited the Company to participate in the Compliance Assurance Process (“CAP”), which is a voluntary program for a limited number of large corporations. Under CAP, the IRS conducts a real-time audit and works contemporaneously with the Company to resolve any issues prior to the filing of the 2007 tax return. The Company has agreed to participate. The Company believes this approach should reduce tax-related uncertainties, if any.

As discussed in Note 1, the Company adopted the provisions of FIN No. 48, “Accounting for Uncertainty in Income Taxes,” on January 1, 2007. As a result of the implementation of FIN No. 48, the Company recognized a decrease to beginning retained earnings on January 1, 2007 of $36.6 million. The total amount of unrecognized tax benefits as of the date of adoption was approximately $69.7 million. Included in the balance at January 1, 2007, were $51.2 million of tax positions that if recognized would affect the effective tax rate.

The Company anticipates that it is reasonably possible that payments of approximately $3.0 million will be made primarily due to the conclusion of state income tax examinations within the next 12 months. Additionally, certain state and foreign income tax returns will no longer be subject to examination and as a result, there is a reasonable possibility that the amount of unrecognized tax benefits will decrease by $13.0 million.

The Company recognizes interest accrued related to: (1) unrecognized tax benefits in Other operating expenses and (2) tax refund claims in Other revenues on the Consolidated Condensed Statements of Income. The Company recognizes penalties (if any) in Income tax expense (benefit) on the Consolidated Condensed Statements of Income. There is approximately $15.7 million accrued for the payment of interest and $19.3 million accrued for the payment of penalties at January 1, 2007.

14. Consolidating Financial Information

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

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

March 31, 2007	CNA Financial	Lorillard	Boardwalk Pipeline	Diamond Offshore	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Assets:								
Investments	$ 45,201.6	$ 1,448.4	$ 561.9	$ 544.0	$ 18.5	$ 5,647.1		$ 53,421.5
Cash	90.6	0.8	1.4	9.8	17.0	8.9		128.5
Receivables	12,333.7	18.1	86.6	464.8	36.6	139.0	$ (14.8)	13,064.0
Property, plant and equipment	262.3	200.0	2,191.2	2,674.3	367.1	25.5		5,720.4
Deferred income taxes	834.4	519.3	0.3			14.9	(763.7)	605.2
Goodwill and other intangible assets	106.0		163.5	20.3	2.6	5.0		297.4
Investments in capital stocks of subsidiaries						12,494.9	(12,494.9)	
Other assets	1,029.0	326.7	219.8	84.7	45.1	93.6	(0.7)	1,798.2
Deferred acquisition costs of insurance subsidiaries	1,189.5							1,189.5
Separate account business	514.9							514.9
Total assets	$ 61,562.0	$ 2,513.3	$ 3,224.7	$ 3,797.9	$ 486.9	$ 18,428.9	$ (13,274.1)	$ 76,739.6
Liabilities and Shareholders' Equity:								
Insurance reserves	$ 41,066.2						$ (0.7)	$ 41,065.5
Payable for securities purchased	1,284.5					$ 96.1		1,380.6
Collateral on loaned securities	2,914.1							2,914.1
Short-term debt					$ 4.3			4.3
Long-term debt	2,156.0		$ 1,351.2	$ 524.4	231.0	865.5		5,128.1
Reinsurance balances payable	576.8							576.8
Deferred income taxes			52.8	359.1	48.8	303.0	(763.7)	
Other liabilities	2,608.5	$ 1,274.4	323.3	426.9	23.9	218.7	(43.4)	4,832.3
Separate account business	514.9							514.9
Total liabilities	51,121.0	1,274.4	1,727.3	1,310.4	308.0	1,483.3	(807.8)	56,416.6
Minority interest	1,418.9		780.9	1,205.7				3,405.5
Shareholders' equity	9,022.1	1,238.9	716.5	1,281.8	178.9	16,945.6	(12,466.3)	16,917.5
Total liabilities and shareholders' equity	$ 61,562.0	$ 2,513.3	$ 3,224.7	$ 3,797.9	$ 486.9	$ 18,428.9	$ (13,274.1)	$ 76,739.6

Loews Corporation
Consolidating Balance Sheet Information

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

Three Months Ended March 31, 2007	CNA Financial	Lorillard	Boardwalk Pipeline	Diamond Offshore	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Revenues:								
Insurance premiums	$ 1,862.7						$ (0.4)	$ 1,862.3
Net investment income	608.2	$ 31.5	$ 4.6	$ 9.8	$ 0.4	$ 110.9		765.4
Intercompany interest and dividends						581.1	(581.1)	
Investment gains (losses)	(21.4)	0.1						(21.3)
Gain on issuance of subsidiary stock				(3.0)		138.3		135.3
Manufactured products		913.0				46.2		959.2
Other	67.5	0.4	185.8	609.1	94.9	1.1		958.8
Total	2,517.0	945.0	190.4	615.9	95.3	877.6	(581.5)	4,659.7
Expenses:								
Insurance claims and policyholders' benefits	1,447.9							1,447.9
Amortization of deferred acquisition costs	380.9							380.9
Cost of manufactured products sold		544.3				23.2		567.5
Other operating expenses	215.8	81.8	93.3	299.3	74.6	33.1	(0.4)	797.5
Interest	34.4		16.8	10.5	2.9	14.0		78.6
Total	2,079.0	626.1	110.1	309.8	77.5	70.3	(0.4)	3,272.4
	438.0	318.9	80.3	306.1	17.8	807.3	(581.1)	1,387.3
Income tax expense	133.4	116.9	25.0	93.8	6.9	79.3		455.3
Minority interest	42.0		16.2	107.7				165.9
Total	175.4	116.9	41.2	201.5	6.9	79.3		621.2
Income from continuing operations	262.6	202.0	39.1	104.6	10.9	728.0	(581.1)	766.1
Discontinued operations, net	2.2							2.2
Net income	$ 264.8	$ 202.0	$ 39.1	$ 104.6	$ 10.9	$ 728.0	$ (581.1)	$ 768.3

Loews Corporation
Consolidating Statement of Income Information

Three Months Ended March 31, 2006	CNA Financial	Lorillard	Boardwalk Pipeline	Diamond Offshore	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Revenues:								
Insurance premiums	$ 1,868.6							$ 1,868.6
Net investment income	570.4	$ 24.8	$ 0.5	$ 8.4	$ 0.2	$ 99.8		704.1
Intercompany interest and dividends						336.5	$ (336.5)	
Investment gains (losses)	8.8	(0.6)		(0.2)		(6.0)		2.0
Manufactured products		854.8				43.6		898.4
Other	52.7		174.5	450.3	93.2	0.7		771.4
Total	2,500.5	879.0	175.0	458.5	93.4	474.6	(336.5)	4,244.5
Expenses:								
Insurance claims and policyholders' benefits	1,492.0							1,492.0
Amortization of deferred acquisition costs	370.2							370.2
Cost of manufactured products sold		511.7				21.6		533.3
Other operating expenses	253.0	92.8	90.0	246.6	76.6	30.8		789.8
Interest	30.2		15.6	6.8	2.9	19.1		74.6
Total	2,145.4	604.5	105.6	253.4	79.5	71.5		3,259.9
	355.1	274.5	69.4	205.1	13.9	403.1	(336.5)	984.6
Income tax expense (benefit)	109.5	106.1	23.6	66.5	5.4	23.1		334.2
Minority interest	28.0		10.1	66.3				104.4
Total	137.5	106.1	33.7	132.8	5.4	23.1		438.6
Income from continuing operations	217.6	168.4	35.7	72.3	8.5	380.0	(336.5)	546.0
Discontinued operations, net	(5.0)							(5.0)
Net income	$ 212.6	$ 168.4	$ 35.7	$ 72.3	$ 8.5	$ 380.0	$ (336.5)	$ 541.0

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

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

OVERVIEW

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

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

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

Consolidated Financial Results

Consolidated net income (including both the Loews Group and Carolina Group) for the 2007 first quarter was $768.3 million, compared to $541.0 million in the 2006 first quarter. Consolidated revenues in the first quarter of 2007 amounted to $4.7 billion, compared to $4.2 billion in 2006.

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

Three Months Ended March 31		**2007**		2006
(In millions, except per share data)				
Net income attributable to Loews common stock:				
Income before net investment gains (losses)	**$**	**573.5**	$	482.0
Net investment gains (losses) (a)		**75.0**		(3.6)
Income from continuing operations		**648.5**		478.4
Discontinued operations, net		**2.2**		(5.0)
Net income attributable to Loews common stock		**650.7**		473.4
Net income attributable to Carolina Group stock		**117.6**		67.6
Consolidated net income	**$**	**768.3**	$	541.0
Net income per share:				
Loews common stock				
Income from continuing operations	**$**	**1.20**	$	0.86
Discontinued operations, net				(0.01)
Loews common stock	**$**	**1.20**	$	0.85
Carolina Group stock	**$**	**1.08**	$	0.86

(a) Includes a gain of $89.2 million related to a reduction in the Company's ownership interest in Diamond Offshore from the conversion of Diamond Offshore's 1.5% convertible debt into Diamond Offshore common stock.

Net income attributable to Loews common stock for the first quarter of 2007 amounted to $650.7 million, or $1.20 per share, compared to $473.4 million, or $0.85 per share in the comparable period of the prior year. The increase in net income reflects improved results at CNA and Diamond Offshore, and net investment gains described below, partially offset by a decrease in the share of Carolina Group earnings attributable to Loews common stock, due to the sale of Carolina Group stock in August and May of 2006.

Net income attributable to Loews common stock includes net investment gains of $75.0 million (after tax and minority interest) in the first quarter of 2007 compared to net investment losses of $3.6 million (after tax and minority interest) in the comparable period of the prior year. The results for the first quarter of 2007 included a gain of $89.2 million (after tax) related to a reduction in the Company's ownership interest in Diamond Offshore from the conversion of Diamond Offshore's 1.5% convertible debt into Diamond Offshore common stock.

Net income per share of Carolina Group stock for the first quarter of 2007 was $1.08 per share, compared to $0.86 per share in the comparable period of the prior year. The increase in net income per share of Carolina Group stock was due to an increase in Lorillard, Inc. net income primarily from higher effective unit prices resulting from a December 2006 price increase and lower promotion expenses (accounted for as a reduction to net sales), partially offset by a 0.9% reduction in unit sales volume. Net income attributable to Carolina Group stock reflects an increase in the number of Carolina Group shares outstanding. Carolina Group stock represented a 62.4% and 45.0% economic interest in the Carolina Group for the three months ended March 31, 2007 and 2006.

Classes of Common Stock

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

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

- notional, intergroup debt owed by the Carolina Group to the Loews Group ($1.1 billion outstanding at March 31, 2007), bearing interest at the annual rate of 8.0% and, subject to optional prepayment, due December 31, 2021; and

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

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

As of March 31, 2007, the outstanding Carolina Group stock represents a 62.4% economic interest in the performance of the Carolina Group. The Loews Group consists of all of our assets and liabilities other than the 62.4% economic interest represented by the outstanding Carolina Group stock, and includes as an asset the notional, intergroup debt of the Carolina Group. The Loews Group's intergroup interest in the earnings of the Carolina Group declined from 55.0% to 37.7% for the three months ended March 31, 2007, as compared to 2006, due to the sales of Carolina Group stock by Loews in May and August of 2006.

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

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

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

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

Parent Company Structure

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

At March 31, 2007, the book value per share of Loews common stock was $31.22, compared to $30.14 at December 31, 2006.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

- Insurance Reserves
- Reinsurance
- Tobacco and Other Litigation
- Valuation of Investments and Impairment of Securities
- Long Term Care Products
- Pension and Postretirement Benefit Obligations

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

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CNA Financial

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

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

Segment Results

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

Standard Lines

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

Three Months Ended March 31	2007	2006
(In millions, except %)		
Net written premiums	$ 1,081.0	$ 1,110.0
Net earned premiums	1,060.0	1,086.0
Net investment income	258.5	228.3
Net operating income	158.4	121.7
Net realized investment gains (losses)	(16.3)	8.1
Net income	142.1	129.8
Ratios:		
Loss and loss adjustment expense	69.6%	71.8%
Expense	29.1	31.2
Dividend	0.4	0.4
Combined	99.1%	103.4%

Net written premiums for Standard Lines decreased $29.0 million for the three months ended March 31, 2007 as compared with the same period in 2006, primarily due to decreased favorable premium development. Net earned premiums decreased $26.0 million for the three months ended March 31, 2007 as compared with the same period in 2006, consistent with the decreased premiums written.

Standard Lines averaged rate decreases of 3.0% for the three months ended March 31, 2007, as compared to average rate decreases of 1.0% for the three months ended March 31, 2006 for the contracts that renewed during those periods. Retention rates of 79.0% and 80.0% were achieved for those contracts that were available for renewal in each period.

Net income increased $12.3 million for the three months ended March 31, 2007 as compared with the same period in 2006. This increase was primarily attributable to improved net operating results, partially offset by decreased net realized investment results. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income increased $36.7 million for the three months ended March 31, 2007 as compared with the same period in 2006. This increase was primarily driven by increased net investment income, favorable net prior year development in 2007 as compared to unfavorable net prior year development in 2006, and lower acquisition expenses. These increases to net operating income were partially offset by increased catastrophe losses. Catastrophe losses were $17.8 million after-tax and minority interest in the first quarter of 2007, as compared to $7.3 million after-tax and minority interest in the same period of 2006.

The combined ratio improved 4.3 points for the three months ended March 31, 2007 as compared with the same period in 2006. The loss ratio improved 2.2 points primarily due to the favorable impact of net prior year development as discussed below, partially offset by increased catastrophe losses.

The expense ratio improved 2.1 points for the three months ended March 31, 2007 as compared with the same period in 2006. This improvement was primarily due to increased ceding commissions and a change in estimate for an insurance-related assessment liability.

Favorable net prior year development of $14.0 million was recorded for the three months ended March 31, 2007, including $13.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $27.0 million of favorable premium development. Unfavorable net prior year development of $10.0 million, including $59.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $49.0 million of favorable premium development, was recorded for the three months ended March 31, 2006. Further information on Standard Lines Net Prior Year Development for the three months ended March 31, 2007 and 2006 is included in Note 6 of the Consolidated Condensed Financial Statements included under Item 1.

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

(In millions)		March 31, 2007		December 31, 2006
Gross Case Reserves	**$**	**6,729.0**	$	6,746.0
Gross IBNR Reserves		**8,207.0**		8,188.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$**	**14,936.0**	$	14,934.0
Net Case Reserves	**$**	**5,199.0**	$	5,234.0
Net IBNR Reserves		**6,642.0**		6,632.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$**	**11,841.0**	$	11,866.0

Specialty Lines

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

Three Months Ended March 31 (In millions, except %)		2007		2006
Net written premiums	**$**	**650.0**	$	648.0
Net earned premiums		**648.0**		628.0
Net investment income		**110.0**		87.0
Net operating income		**105.3**		103.7
Net realized investment gains (losses)		**(6.0)**		1.8
Net income		**99.3**		105.5
Ratios:				
Loss and loss adjustment expense		**61.5%**		59.3%
Expense		**26.8**		26.1
Dividend		**0.2**		0.2
Combined		**88.5%**		85.6%

Net written premiums for Specialty Lines increased $2.0 million for the three months ended March 31, 2007 as compared to the same period in 2006. Premiums written were unfavorably impacted by declining rates and decreased new business as compared to the first quarter of 2006. These unfavorable impacts were more than offset by decreased ceded premiums. Net earned premiums increased $20.0 million for the three months ended March 31, 2007 as compared with the same period in 2006, which reflects the increased net premiums over the past several quarters in Specialty Lines.

Specialty Lines averaged rate decreases of 4.0% for the three months ended March 31, 2007, as compared to flat averaged rates for the three months ended March 31, 2006 for the contracts that renewed during those periods. Retention rates of 86.0% and 88.0% were achieved for those contracts that were available for renewal in each period.

Net income decreased $6.2 million for the three months ended March 31, 2007 as compared with the same period in 2006. This decrease was attributable to reduced net realized investment results, partially offset by increased net operating income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income increased $1.6 million for the three months ended March 31, 2007 as compared with the same period in 2006. This increase was primarily driven by an increase in net investment income, partially offset by less favorable current accident year results.

The combined ratio increased 2.9 points for the three months ended March 31, 2007 as compared with the same period in 2006. The loss ratio increased 2.2 points, primarily due to higher current accident year loss ratios across several lines of business related to the declining rate environment.

The expense ratio increased 0.7 points for the three months ended March 31, 2007 as compared with the same period in 2006. The increase was primarily due to higher direct commissions on the mix of accounts written and reduced ceding commissions.

Favorable net prior year development of $2.0 million, including $7.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $9.0 million of favorable premium development, was recorded for the three months ended March 31, 2007. Favorable net prior year development of $3.0 million, including $5.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $8.0 million of favorable premium development, was recorded for the three months ended March 31, 2006.

The current U.S. Specialty Lines reinsurance structure is primarily quota share reinsurance which is in place through April 2007. CNA reviewed this structure and has elected not to renew this coverage upon its expiration. With CNA's current diversification in the subject lines of business and their management of the gross limits on the business written, CNA does not believe the cost of renewing the program is commensurate with its projected benefit.

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

	March 31, 2007	December 31, 2006
(In millions)		
Gross Case Reserves	**$ 1,689.0**	$ 1,715.0
Gross IBNR Reserves	**4,025.0**	3,814.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 5,714.0**	$ 5,529.0
Net Case Reserves	**$ 1,352.0**	$ 1,350.0
Net IBNR Reserves	**3,034.0**	2,921.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 4,386.0**	$ 4,271.0

Life and Group Non-Core

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

Three Months Ended March 31	**2007**	2006
(In millions)		
Net earned premiums	**$ 156.0**	$ 163.0
Net investment income	**161.0**	187.1
Net operating income (loss)	**2.3**	(2.6)
Net realized investment gains (losses)	**0.3**	(6.9)
Net income (loss)	**2.6**	(9.5)

Net earned premiums for Life and Group Non-Core decreased $7.0 million for the three months ended March 31, 2007 as compared with the same period in 2006. The net earned premiums relate primarily to the group and individual long term care businesses.

Net results increased $12.1 million for the three months ended March 31, 2007 as compared with the same period in 2006. The increase in net results was primarily due to improved net realized investment results and an increase in life settlement contract results. The decrease in net investment income was more than offset by a corresponding decrease in the policyholders' funds reserves supported by the trading portfolio. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Other Insurance

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

Three Months Ended March 31	2007	2006
(In millions)		
Net investment income	$ 78.0	$ 68.0
Revenues	84.1	51.6
Net operating income (loss)	9.0	(5.7)
Net realized investment gains (losses)	9.6	(2.5)
Net income (loss)	18.6	(8.2)

Revenues increased $32.5 million for the three months ended March 31, 2007 as compared with the same period in 2006. The increase in revenues was primarily due to improved net realized investment results and increased net investment income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net results increased $26.8 million for the three months ended March 31, 2007 as compared with the same period in 2006. The increase in net results was primarily due to increased revenues as discussed above, decreased net prior year development and a loss in 2006 related to a commutation. These favorable impacts were partially offset by an increase in interest costs on corporate debt and increased current accident year losses related to mass torts.

Unfavorable premium development of $2.0 million was recorded for the three months ended March 31, 2007. There was no claim and allocated claim adjustment expense reserve development recorded for the three months ended March 31, 2007. Unfavorable net prior year development of $14.0 million was recorded for the three months ended March 31, 2006, including $7.0 million of unfavorable net prior year claim and allocated claim adjustment expense reserve development and $7.0 million of unfavorable premium development.

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

	March 31, 2007	December 31, 2006
(In millions)		
Gross Case Reserves	$ 2,484.0	$ 2,511.0
Gross IBNR Reserves	3,291.0	3,528.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	5,775.0	$ 6,039.0
Net Case Reserves	$ 1,469.0	$ 1,453.0
Net IBNR Reserves	1,864.0	1,999.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	$ 3,333.0	$ 3,452.0

APMT Reserves

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

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

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

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

CNA has annually performed ground up reviews of all open APMT claims to evaluate the adequacy of its APMT reserves. In performing the comprehensive ground up analysis, CNA considers input from its professionals with direct responsibility for the claims, inside and outside counsel with responsibility for its representation and its actuarial staff. These professionals consider, among many factors, the policyholder's present and predicted future exposures, including such factors as claims volume, trial conditions, prior settlement history, settlement demands and defense costs; the impact of asbestos defendant bankruptcies on the policyholder; facts or allegations regarding the policies CNA issued or are alleged to have issued, including such factors as aggregate or per occurrence limits, whether the policy is primary, umbrella or excess, and the existence of policyholder retentions and/or deductibles; the policyholders' allegations; the existence of other insurance; and reinsurance arrangements. Further information on APMT claim and claim adjustment expense reserves and net prior year development is included in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Asbestos

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

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

As a result of bankruptcies and insolvencies, CNA had in the past observed an increase in the total number of policyholders with current asbestos claims as additional defendants were added to existing lawsuits and were named in new asbestos bodily injury lawsuits. During the last few years the rate of new bodily injury claims had moderated and most recently the new claims filing rate has decreased although the number of policyholders claiming coverage for asbestos related claims has remained relatively constant in the past several years.

CNA has resolved a number of its large asbestos accounts by negotiating settlement agreements. Structured settlement agreements provide for payments over multiple years as set forth in each individual agreement.

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

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

CNA categorizes active asbestos accounts as large or small accounts. CNA defines a large account as an active account with more than $100,000 of cumulative paid losses. CNA has made closing large accounts a significant management priority. Small accounts are defined as active accounts with $100,000 or less of cumulative paid losses. Approximately 79.2% and 79.6% of CNA's total active asbestos accounts are classified as small accounts at March 31, 2007 and December 31, 2006.

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

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

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

March 31, 2007	Number of Policyholders	Net Paid Losses	Net Asbestos Reserves	Percent of Asbestos Net Reserves
(In millions of dollars)				
Policyholders with settlement agreements				
Structured settlements	**16**	**$ 15.0**	**$ 172.0**	**12.4%**
Wellington	**3**		**14.0**	**1.0**
Coverage in place	**37**	**36.0**	**79.0**	**5.7**
Total with settlement agreements	**56**	**51.0**	**265.0**	**19.1**
Other policyholders with active accounts				
Large asbestos accounts	**223**	**7.0**	**257.0**	**18.5**
Small asbestos accounts	**1,062**	**3.0**	**93.0**	**6.7**
Total other policyholders	**1,285**	**10.0**	**350.0**	**25.2**
Assumed reinsurance and pools		**3.0**	**139.0**	**10.0**
Unassigned IBNR			**634.0**	**45.7**
Total	**1,341**	**$ 64.0**	**$ 1,388.0**	**100.0%**

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

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

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

CNA is involved in significant asbestos-related claim litigation, which is described in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Environmental Pollution and Mass Tort

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

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

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

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

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

CNA categorizes active accounts as large or small accounts in the pollution area. CNA defines a large account as an active account with more than $100,000 cumulative paid losses. CNA has made closing large accounts a significant management priority. Small accounts are defined as active accounts with $100,000 or less cumulative paid losses.

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

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

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

March 31, 2007	**Number of Policyholders**	**Net Paid Losses**	**Net Environmental Pollution Reserves**	**Percent of Environmental Pollution Net Reserve**
(In millions of dollars)				
Policyholders with Settlement Agreements				
Structured settlements	**9**	**$ 4.0**	**$ 6.0**	**2.2%**
Coverage in place	**18**	**1.0**	**14.0**	**5.0**
Total with Settlement Agreements	**27**	**5.0**	**20.0**	**7.2**
Other Policyholders with Active Accounts				
Large pollution accounts	**111**	**2.0**	**52.0**	**18.8**
Small pollution accounts	**325**	**1.0**	**46.0**	**16.6**
Total Other Policyholders	**436**	**3.0**	**98.0**	**35.4**
Assumed Reinsurance & Pools			**32.0**	**11.6**
Unassigned IBNR			**127.0**	**45.8**
Total	**463**	**$ 8.0**	**$ 277.0**	**100.0%**

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

Lorillard

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

The following table summarizes the results of operations for Lorillard for the three months ended March 31, 2007 and 2006 as presented in Note 14 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31	**2007**	2006
(In millions)		
Revenues:		
Manufactured products	**$ 913.0**	$ 854.8
Net investment income	**31.5**	24.8
Investment gains (losses)	**0.1**	(0.6)
Other	**0.4**	
Total	**945.0**	879.0
Expenses:		
Cost of sales	**544.3**	511.7
Other operating	**81.8**	92.8
Total	**626.1**	604.5
	318.9	274.5
Income tax expense	**116.9**	106.1
Net income	**$ 202.0**	$ 168.4

Revenues increased by $66.0 million, or 7.5% and net income increased by $33.6 million, or 20.0%, in the three months ended March 31, 2007, as compared to the corresponding period of 2006.

The increase in revenues in the three months ended March 31, 2007, as compared to the corresponding period of 2006, is due to higher net sales of $58.2 million and higher investment income of $7.4 million. Net sales revenue increased $38.2 million due to higher average unit prices resulting from a December 2006 price increase and $34.9 million due to higher effective unit prices reflecting lower sales promotion expenses, partially offset by a decrease of $14.9 million due to a 0.9% reduction in unit sales volume, assuming prices were unchanged from the prior year. Unit sales volume in the first quarter of 2007 was impacted by wholesale customers' purchases of additional inventory in the fourth quarter of 2006 in anticipation of a price increase.

Net income increased in the three months ended March 31, 2007, as compared to the corresponding period of 2006, due primarily to the higher revenues discussed above and lower income tax expense of $6.3 million due to the statutory increase in the tax benefit related to the manufacturer's deduction, partially offset by higher State Settlement Agreement costs as described below.

Lorillard recorded pretax charges of $249.1 million and $217.0 million ($157.8 million and $133.1 million after taxes) for the three months ended March 31, 2007 and 2006, respectively, to record its obligations under settlement agreements entered into between the major cigarette manufacturers, including Lorillard, and each of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico and certain U.S. territories (together, the "State Settlement Agreements"). Lorillard's portion of ongoing adjusted settlement payments and related legal fees is based on its share of domestic cigarette shipments in the year preceding that in which the payment is due. Accordingly, Lorillard records its portion of ongoing settlement payments as part of cost of manufactured products sold as the related sales occur. The $32.1 million pretax increase in tobacco settlement costs in the three months ended March 31, 2007 is due to an increase in the base payment ($23.9 million) effective January 1, 2007, the impact of the inflation adjustment ($8.7 million) and other adjustments ($2.0 million), partially offset by lower gross unit sales ($2.5 million) under the State Settlement Agreements.

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

Overall, domestic industry unit sales volume decreased 4.2% in the first three months of 2007 as compared with the corresponding period of 2006. Industry sales for premium brands were 72.1% of the total market in the three months ended March 31, 2007, as compared to 72.3% in the corresponding period of 2006.

Lorillard's total (domestic, Puerto Rico and certain U.S. Territories) gross unit sales volume decreased 0.9% in the three months ended March 31, 2007, as compared to the corresponding period of 2006. Domestic wholesale volume decreased 1.0% in the three months ended March 31, 2007, as compared to the corresponding period of 2006. Total Newport unit sales volume decreased 0.5% and domestic volume decreased 0.6% in the three months ended March 31, 2007, as compared with the corresponding period of 2006. The negative unit volume shipment results in the first quarter of 2007 was due to increased purchases by wholesalers in the fourth quarter of 2006 in anticipation of the industry price increase that occurred in December 2006. On-going competitive promotions and the availability of deep discount brands also continue to affect these results.

Deep discount brands are produced by manufacturers that are subject to lower payment obligations under State Settlement Agreements. This cost advantage enables them to price their brands more than 50% lower than the list prices of premium brand offerings from major manufacturers. As a result of this price differential, deep discount brands have grown from an estimated share in 1998 of less than 1.5 % to an estimated 12.9% for the first quarter of 2007. Deep discount brands increased by a 0.5 share point for the first quarter 2007 as compared to the first quarter 2006, and continue to be a significant competitive factor in the domestic U.S. market.

The costs of litigating and administering product liability claims, as well as other legal expenses, are included in other operating expenses. Lorillard's outside legal fees and other external product liability defense costs were $9.1 million and $17.5 million for the first three months of 2007 and 2006, respectively. Numerous factors affect product liability defense costs. The principal factors are as follows:

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

Please read Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report for detailed information regarding tobacco litigation. The factors that have influenced past product liability defense costs are expected to continue to influence future costs. Although Lorillard does not expect that product liability defense costs will increase significantly in the future, it is possible that adverse developments in the factors discussed above, as well as other circumstances beyond the control of Lorillard, could have a material adverse effect on our financial condition, results of operations or cash flows.

Selected Market Share Data

Three Months Ended March 31	**2007**	2006
(Units in billions)		
Total domestic Lorillard unit volume (1)	**8.387**	8.468
Total domestic industry unit volume (1)	**84.265**	87.990
Lorillard's share of the domestic market (1)	**10.0%**	9.6%
Lorillard's premium segment as a percentage of its total domestic volume (1)	**94.9%**	95.1%
Lorillard's share of the premium segment (1)	**13.1%**	12.7%
Newport share of the domestic market (1)	**9.2%**	8.8%
Newport share of the premium segment (1)	**12.7%**	12.2%
Total menthol segment market share for the industry (2)	**28.5%**	28.1%
Total discount segment market share for the industry (1)	**27.9%**	27.7%
Newport's share of the menthol segment (2)	**33.6%**	33.0%
Newport as a percentage of Lorillard's (3):		
Total volume	**92.4%**	92.0%
Net sales	94.0%	93.3%

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

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

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

Business Environment

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

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

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

- The continuing contraction of the U.S. cigarette market, in which Lorillard currently conducts its only significant business. As a result of price increases, restrictions on advertising and promotions, increases in regulation and excise taxes, health concerns, a decline in the social acceptability of smoking, increased pressure from anti-tobacco groups and other factors, U.S. cigarette shipments have decreased at a compound rate of approximately 2.6% over the 12 months ending March 1998 through the 12 months ending March 2007, according to information provided by MSAI.

· Substantial federal, state and local excise taxes which are reflected in the retail price of cigarettes. In the first three months of 2007, the federal excise tax was $0.39 per pack and combined state and local excise taxes ranged from $0.07 to $3.66 per pack. In the first three months of 2007, excise tax increases of $1.00 per pack were implemented in three states. Proposals continue to be made to increase federal, state and local excise taxes. Lorillard believes that increases in excise and similar taxes have had an adverse impact on sales of cigarettes and that future increases, the extent of which cannot be predicted, could result in further volume declines for the cigarette industry, including Lorillard, and an increased sales shift toward lower priced discount cigarettes rather than premium brands. In addition, Lorillard, other cigarette manufacturers and importers are required to pay an assessment under a federal law designed to fund payments to tobacco quota holders and growers.

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

Boardwalk Pipeline

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

The following table summarizes the results of operations for Boardwalk Pipeline for the three months ended March 31, 2007 and 2006 as presented in Note 14 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31	**2007**	2006
(In millions)		
Revenues:		
Operating	**$ 185.8**	$ 174.5
Net investment income	**4.6**	0.5
Total	**190.4**	175.0
Expenses:		
Operating	**93.3**	90.0
Interest	**16.8**	15.6
Total	**110.1**	105.6
	80.3	69.4
Income tax expense	**25.0**	23.6
Minority interest	**16.2**	10.1
Net income	**$ 39.1**	$ 35.7

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

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

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

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

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

Total revenues increased by $15.4 million to $190.4 million for the three months ended March 31, 2007, compared to $175.0 million for the three months ended March 31, 2006. Operating revenues increased primarily due to a $5.9 million increase in transportation fees due to revenues from the Carthage, Texas to Keatchie, Louisiana pipeline expansion project which was placed in service at the end of 2006 and strong demand for firm transportation services due to wide basis differentials primarily between South and East Texas and other points on Boardwalk Pipeline's system. Operating revenues also included a $5.9 million increase driven primarily from higher fuel revenues from increased throughput and retained volumes and a $3.0 million increase in PAL services mainly due to favorable natural gas price spreads and volatility in forward natural gas prices.

Net income increased by $3.4 million to $39.1 million in the first quarter of 2007, as compared to $35.7 million in the first quarter of 2006, primarily due to the increased revenues discussed above, partially offset by a $6.1 million increase in minority interest expense and a $3.3 million increase in operating expenses. The increase in minority interest expense is primarily due to the sale of Boardwalk Pipeline common units in the fourth quarter of 2006. Operating expenses in the first quarter of 2007 include a $3.1 million special termination benefit charge recognized as a result of an early retirement incentive program and a $2.8 million increase in property and other taxes resulting primarily from the absence of a prior year benefit for franchise taxes associated with the change in tax status. Operating expenses also reflect a $2.1 million loss associated with derivatives on storage gas volumes, a $1.6 million increase in administrative expenses and outside services mainly due to growth in operations and regulatory compliance and a $1.2 million increase in depreciation and amortization. These increases were partially offset by a $5.5 million decline in employee labor and benefit costs as a result of the early retirement plan in the second half of 2006. Interest expense increased by $1.2 million, primarily due to senior notes issued in November of 2006.

Diamond Offshore

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

The following table summarizes the results of operations for Diamond Offshore for the three months ended March 31, 2007 and 2006 as presented in Note 14 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31		**2007**		2006
(In millions)				
Revenues:				
Operating	**$**	**609.1**	$	450.3
Net investment income		**9.8**		8.4
Investment gains (losses)		**(3.0)**		(0.2)
Total		**615.9**		458.5
Expenses:				
Operating		**299.3**		246.6
Interest		**10.5**		6.8
Total		**309.8**		253.4
		306.1		205.1
Income tax expense		**93.8**		66.5
Minority interest		**107.7**		66.3
Net income	**$**	**104.6**	$	72.3

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

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

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

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

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

During 2007, Diamond Offshore expects to spend an aggregate of approximately $46.0 million for 5-year surveys and intermediate surveys, including estimated mobilization costs, but excluding any resulting repair and maintenance costs, which could be significant. Costs of mobilizing Diamond Offshore's rigs to shipyards for scheduled surveys, which were a major component of its survey-related costs during 2006, are indicative of higher prices commanded by support businesses to the offshore drilling industry. Diamond Offshore expects mobilization costs to be a significant component of its survey-related costs in 2007.

Revenues increased by $157.4 million, or 34.3%, and net income increased by $32.3 million in the three months ended March 31, 2007, as compared to the corresponding period of 2006.

Revenues from high specification floaters and intermediate semisubmersible rigs increased by $131.2 million in the three months ended March 31, 2007, as compared to the corresponding period of 2006. The increase primarily reflects increased dayrates of $138.0 million, partially offset by decreased utilization of $4.3 million and a $2.5 million decrease in lump-sum fees received from customers for rig modifications and amortized mobilization fees.

Revenues from jack-up rigs increased $24.1 million in the three months ended March 31, 2007, due primarily to increased dayrates of $36.3 million, partially offset by decreased utilization of $13.2 million.

Interest expense increased $3.7 million in the first three months of 2007, primarily due to an $8.9 million write off of debt issuance costs related to conversions of Diamond Offshore's 1.5% debentures into common stock, which was partially offset by reduced interest expense as a result of these conversions.

Net income increased in the three months ended March 31, 2007, due to revenue increases as noted above, partially offset by increased contract drilling expenses.

Loews Hotels

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

The following table summarizes the results of operations for Loews Hotels for the three months ended March 31, 2007 and 2006 as presented in Note 14 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31		**2007**		2006
(In millions)				
Revenues:				
Operating	**$**	**94.9**	$	93.2
Net investment income		**0.4**		0.2
Total		**95.3**		93.4
Expenses:				
Operating		**74.6**		76.6
Interest		**2.9**		2.9
Total		**77.5**		79.5
		17.8		13.9
Income tax expense		**6.9**		5.4
Net income	**$**	**10.9**	$	8.5

Revenues increased by $1.9 million, or 2.0%, and net income increased by $2.4 million in the three months ended March 31, 2007, as compared to the corresponding period of 2006.

Revenues and net income increased due to an increase in revenue per available room to $177.76, compared to $165.98 in the prior year, reflecting improvements in average room rates of $22.74, or 10.4%, and higher equity income of $0.8 million. These increases were partially offset by a 2.3% decrease in occupancy rates.

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

Corporate and Other

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

The following table summarizes the results of operations for Corporate and Other for the three months ended March 31, 2007 and 2006 as presented in Note 14 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31	**2007**	2006
(In millions)		
Revenues:		
Manufactured products	**$ 46.2**	$ 43.6
Net investment income	**110.9**	99.8
Investment gains (losses)	**138.3**	(6.0)
Other	**0.7**	0.7
Total	**296.1**	138.1
Expenses:		
Cost of sales	**23.2**	21.6
Operating	**32.7**	30.8
Interest	**14.0**	19.1
Total	**69.9**	71.5
	226.2	66.6
Income tax expense (benefit)	**79.3**	23.1
Net income (loss)	**$ 146.9**	$ 43.5

Revenues increased by $158.0 million and net income increased by $103.4 million in the three months ended March 31, 2007, as compared to the corresponding period of 2006.

Revenues and net income increased in the three months ended March 31, 2007, as compared to the corresponding period of 2006, due primarily to increased investment gains of $144.3 million and higher net investment income of $11.1 million. Investment gains for 2007 include a $141.2 million pretax gain ($91.8 million after tax) from the issuance of Diamond Offshore common stock related to the conversion of $438.5 million principal amount of Diamond Offshore's 1.5% debentures into Diamond Offshore common stock. The increase in investment income is primarily due to the performance of the Company's trading portfolio and improved yields on higher invested amounts.

Net income for the three months ended March 31, 2007, also benefited from lower corporate interest expenses due to the maturity of $300.0 million principal amount of 6.8% notes in December of 2006.

LIQUIDITY AND CAPITAL RESOURCES

CNA Financial

Cash Flow

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

For the three months ended March 31, 2007, net cash provided by operating activities was $217.0 million as compared with $626.0 million for the same period in 2006. The decrease in cash provided by operating activities is primarily related to decreased net sales of trading securities to fund policyholder withdrawals of investment contract products issued by CNA. The policyholder fund withdrawals are reflected as financing cash outflows.

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

For the three months ended March 31, 2007, net cash used by investing activities was $201.0 million as compared with $307.0 million for the same period in 2006. Cash flows used for investing activities related principally to purchases of fixed maturity securities and short term investments.

For the three months ended March 31, 2007, net cash used by financing activities was $26.0 million as compared with $343.0 million for the same period in 2006. The decrease in cash used by financing activities is related to decreased policyholder fund withdrawals in 2007 as compared to 2006, which are reflected as return of investment contract account balances on the Consolidated Condensed Statements of Cash Flows.

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

Dividends

On April 25, 2007, CNA's Board of Directors declared a quarterly dividend of $0.10 per share, payable June 11, 2007 to shareholders of record on May 11, 2007. The declaration and payment of future dividends to holders of CNA's common stock will be at the discretion of CNA's Board of Directors and will depend on many factors, including CNA's earnings, financial condition, business needs, and regulatory constraints. CNA's ability to pay dividends is significantly dependent on receipt of dividends from its subsidiaries. The payment of dividends to CNA by its insurance subsidiaries without prior approval of the insurance department of each subsidiary's domiciliary jurisdiction is limited by formula. During 2007, CCC is able to pay approximately $556.0 million of dividend payments that are not subject to prior approval.

Regulatory Matters

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

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

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

Lorillard

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

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

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

The State Settlement Agreements require Lorillard and the other Original Participating Manufacturers ("OPMs") to make aggregate annual payments of $8.4 billion through 2007 and $9.4 billion thereafter, subject to adjustment for several factors described below. In addition, the OPMs are required to pay plaintiffs' attorneys' fees, subject to an aggregate annual cap of $500.0 million, as well as an additional aggregate amount of up to $125.0 million in each year through 2008. These payment obligations are several and not joint obligations of each of the OPMs. We believe that Lorillard's obligations under the State Settlement Agreements will materially adversely affect our cash flows and operating income in future years.

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

- inflation;
- aggregate volume of domestic cigarette shipments;
- market share; and
- industry operating income.

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

Lorillard's cash payment under the State Settlement Agreements in the three months ended March 31, 2007 was $578.8 million. In addition, in April 2007, Lorillard deposited $110.9 million in an interest-bearing escrow account in accordance with procedures established in the MSA pending resolution of a claim by Lorillard and other OPMs that they are entitled to reduce their MSA payments based on a loss of market share to non-participating manufacturers. Most of the states that are parties to the MSA are disputing the availability of the reduction and Lorillard believes that this dispute will ultimately be resolved by judicial and arbitration proceedings. Lorillard's $110.9 million reduction is based upon the OPMs collective loss of market share in 2004. In April of 2006, Lorillard had previously deposited $108.0 million in the same escrow account discussed above, which was based on a loss of market share in 2003 to non-participating manufacturers.

Lorillard and other OPMs have the right to claim additional reductions of MSA payments in subsequent years under provisions of the MSA. In addition to the payments made in March and April of 2007, Lorillard anticipates the additional amount payable in 2007 will be approximately $240.0 million to $290.0 million, primarily based on 2007 estimated industry volume.

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

Lorillard's cash and investments, net of receivables and payables, totaled $1,449.2 million and $1,768.7 million at March 31, 2007 and December 31, 2006, respectively. At March 31, 2007, 83.5% of Lorillard's cash and investments were invested in short-term securities.

The principal source of liquidity for Lorillard's business and operating needs is internally generated funds from its operations. Lorillard's operating activities resulted in a net cash outflow of $93.2 million for the three months ended March 31, 2007, compared to a net cash outflow of $143.4 million for the corresponding period of the prior year. Lorillard believes, based on current conditions, that cash flows from operating activities will be sufficient to enable it to meet its obligations under the State Settlement Agreements and to fund its capital expenditures. Lorillard cannot predict the impact on its cash flows of cash requirements related to any future settlements or judgments, including cash required to bond any appeals, if necessary, or the impact of subsequent legislative actions, and thus can give no assurance that it will be able to meet all of those requirements.

Boardwalk Pipeline

At March 31, 2007 and December 31, 2006, cash and investments amounted to $563.3 million and $399.0 million, respectively. Cash flow from operating activities for the three months ended March 31, 2007 amounted to $77.3 million, compared to $73.3 million in the first three months of 2006. In the three months ended March 31, 2007 and 2006, Boardwalk Pipeline's capital expenditures were $162.1 million and $21.8 million, respectively.

Boardwalk Pipeline is currently engaged in several major pipeline and storage expansion projects that will require the investment of approximately $3.4 billion of capital resources from 2007 to 2009 (before taking into account any potential equity contribution by a foundation shipper in Gulf Crossing Pipeline or the exercise of customer options for additional capacity). The pipeline expansion projects will transport natural gas supplies from the Bossier Sands, Barnett Shale, Fayetteville Shale and the Caney/Woodford Shale areas in East Texas, Arkansas and Oklahoma to existing or new assets and third-party interstate pipeline interconnects. For more information on Boardwalk Pipeline's expansion projects, please read "Expansion Projects" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2006.

As of March 31, 2007, Boardwalk Pipeline was in compliance with all the covenant requirements under its credit agreement and no funds were drawn under this facility. In April of 2007, Boardwalk Pipeline's revolving credit facility was amended to increase the aggregate commitments from $400.0 million to $700.0 million and to extend the term to June 29, 2012, among other modifications. In April of 2007, Boardwalk Pipeline issued letters of credit for $221.5 million to support certain obligations associated with its Fayetteville Shale expansion project which reduced the available capacity under the facility.

In the first quarter of 2007, Boardwalk Pipeline sold 8.0 million common units at a price of $36.50 per unit in a public offering and received net proceeds of $287.9 million. In addition, we contributed $6.0 million to maintain our 2.0% general partner interest. The proceeds will be used to finance its expansion activities.

For the year ending December 31, 2007, Boardwalk Pipeline expects to make capital expenditures of approximately $1.9 billion, of which it expects approximately $1.8 billion for the expansion projects discussed above and approximately $60.0 million to be for maintenance capital. The amount of expansion capital Boardwalk Pipeline expends in 2007 could vary significantly depending on the progress made with these projects, the number and types of other capital projects Boardwalk Pipeline decides to pursue, the timing of any of those projects and numerous other factors beyond Boardwalk Pipeline's control.

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

During the three months ended March 31, 2007, Boardwalk Pipeline paid cash distributions of $0.415 per limited partner unit or a total of $46.1 million, including distributions to its general partner.

Diamond Offshore

Cash and investments, net of receivables and payables, totaled $553.8 million at March 31, 2007 compared to $825.8 million at December 31, 2006. In the first three months of 2007, Diamond Offshore paid cash dividends totaling $570.7 million, consisting of a special cash dividend of $553.4 million and its regular quarterly cash dividend of $17.3 million.

Cash provided by operating activities was $379.6 million in the first three months of 2007, compared to $133.2 million in the comparable period of 2006. The increase in cash flow from operations is the result of higher average dayrates as a result of an increase in worldwide demand for offshore contract drilling services.

Diamond Offshore estimates that capital expenditures for rig modifications and new construction in 2007 will be approximately $245.0 million. As of March 31, 2007, Diamond Offshore had spent approximately $451.2 million for the upgrade costs for two rigs and construction of two new jack-up rigs.

Diamond Offshore estimates that capital expenditures associated with its ongoing rig equipment replacement and enhancement programs and other corporate requirements will be approximately $240.0 million in the remainder of 2007. As of March 31, 2007, Diamond Offshore had spent approximately $66.0 million for capital additions.

In addition to anticipated capital spending for rig upgrades, new construction and in connection with Diamond Offshore's capital maintenance program, Diamond Offshore has committed to spend approximately $65.0 million towards the modification of two of its intermediate semisubmersible rigs. These modifications are required to meet contract specifications for each of the drilling rigs.

In the first quarter of 2007, the holders of $438.5 million principal amount of Diamond Offshore's 1.5% Debentures converted their outstanding debentures into 8.9 million shares of Diamond Offshore's common stock.

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

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

Loews Hotels

Cash and investments increased to $35.5 million at March 31, 2007 from $24.5 million at December 31, 2006. Funds from operations continue to exceed operating requirements. Funds for other capital expenditures and working capital requirements are expected to be provided from existing cash balances and operations and advances or capital contributions from us.

Corporate and Other

Parent Company cash and investments, net of receivables and payables, at March 31, 2007 totaled $5.6 billion, as compared to $5.3 billion at December 31, 2006. The increase in net cash and investments is primarily due to the receipt of $581.1 million in dividends from subsidiaries which includes $280.4 million from a Diamond Offshore special dividend, partially offset by $83.2 million of dividends paid to our shareholders and $314.0 million related to repurchases of our common stock.

As of March 31, 2007, there were 537,020,587 shares of Loews common stock outstanding and 108,436,023 shares of Carolina Group stock outstanding. Depending on market and other conditions, we may purchase shares of our, and our subsidiaries', outstanding common stock in the open market or otherwise. During the three months ended March 31, 2007, we purchased 7.3 million shares of Loews common stock at an aggregate cost of $314.0 million.

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

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

INVESTMENTS

Insurance

Net Investment Income

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

Three Months Ended March 31		**2007**		2006
(In millions)				
Fixed maturity securities	**$**	**496.4**	$	415.2
Short-term investments		**49.5**		65.1
Limited partnerships		**52.1**		73.5
Equity securities		**5.1**		6.1
Income from trading portfolio (a)		**2.8**		42.3
Interest on funds withheld and other deposits		**(0.5)**		(24.8)
Other		**10.7**		3.0
Total investment income		**616.1**		580.4
Investment expense		**(7.9)**		(10.0)
Net investment income	**$**	**608.2**	$	570.4

(a) The change in net unrealized gains on trading securities, included in net investment income, was $2.0 million for the three months ended March 31, 2007 and 2006.

Net investment income increased by $37.8 million for the three months ended March 31, 2007 compared with the same period of 2006. The improvement was primarily driven by an increase in the overall invested asset base, improved period over period yields and a reduction of interest expense on funds withheld and other deposits. During 2006, CNA commuted several significant finite reinsurance contracts which contained interest crediting provisions. As of December 31, 2006, no further interest expense was due on the funds withheld on the commuted contracts. These increases were partially offset by a decrease in net investment income from limited partnerships and the trading portfolio. The decrease in income from the trading portfolio was largely offset by a corresponding decrease in the policyholders' funds reserves supported by the trading portfolio, which is included in Insurance claims and policyholders' benefits on the Consolidated Condensed Statements of Income.

The bond segment of the investment portfolio yielded approximately 5.8% and 5.3% for the three months ended March 31, 2007 and 2006.

Net Realized Investment Gains (Losses)

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

Three Months Ended March 31	**2007**	2006
(In millions)		
Fixed maturity securities:		
U.S. Government bonds	**$ 1.7**	$ 3.8
Corporate and other taxable bonds	**25.0**	(19.7)
Tax-exempt bonds	**(11.5)**	25.4
Asset-backed bonds	**(32.7)**	(9.4)
Redeemable preferred stock	**0.1**	(0.2)
Total fixed maturity securities	**(17.4)**	(0.1)
Equity securities	**3.5**	3.0
Derivative securities	**(7.7)**	6.9
Short-term investments	**(0.2)**	(1.7)
Other invested assets, including dispositions	**0.3**	
Allocated to participating policyholders' and minority interests	**0.1**	0.7
Total realized investment gains (losses)	**(21.4)**	8.8
Income tax (expense) benefit	**7.4**	(8.3)
Minority interest	**1.6**	
Net realized investment gains (losses)	**$ (12.4)**	$ 0.5

Net realized investment results decreased by $12.9 million for the three months ended March 31, 2007 compared with the same period of 2006. The decrease in net realized investment results was primarily driven by an increase in interest rate related other-than-temporary impairment ("OTTI") losses on securities for which CNA did not assert an intent to hold until an anticipated recovery in value. For the three months ended March 31, 2007, OTTI losses of $50.7 million were recorded primarily in the asset-backed bonds and corporate and other taxable bonds sectors. This compares to OTTI losses for the three months ended March 31, 2006 of $6.4 million recorded primarily in the corporate and other taxable bonds sector. The increase in OTTI losses was largely offset by an increase in net realized results in the corporate and other taxable bonds sector.

A primary objective in the management of the fixed maturity and equity portfolios is to optimize return relative to underlying liabilities and respective liquidity needs. CNA's views on the current interest rate environment, tax regulations, asset class valuations, specific security issuer and broader industry segment conditions, and the domestic and global economic conditions, are some of the factors that enter into an investment decision. CNA also continually monitors exposure to issuers of securities held and broader industry sector exposures and may from time to time adjust such exposures based on its views of a specific issuer or industry sector.

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

CNA invests in certain derivative financial instruments primarily to reduce its exposure to market risk (principally interest rate, equity price and foreign currency risk) and credit risk (risk of nonperformance of underlying obligor). Derivative securities are recorded at fair value at the reporting date. CNA also uses derivatives to mitigate market risk by purchasing S&P 500 index futures in a notional amount equal to the contract liability relating to Life and Group Non-Core indexed group annuity contracts. CNA provided collateral to satisfy margin deposits on exchange-traded derivatives totaling $27.0 million as of March 31, 2007. For over-the-counter derivative transactions CNA utilizes International Swaps and Derivatives Association ("ISDA") Master Agreements that specify certain limits over which collateral is exchanged. As of March 31, 2007, CNA provided $39.0 million of cash as collateral for over-the-counter derivative instruments.

A further consideration in the management of the investment portfolio is the characteristics of the underlying liabilities and the ability to align the duration of the portfolio to those liabilities to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and long term in nature, CNA segregates assets for asset/liability management purposes.

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

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

Three Months Ended March 31		**2007**		2006
(In millions)				
Net realized gains (losses) on fixed maturity and equity securities:				
Fixed maturity securities:				
Gross realized gains	**$**	**98.0**	$	77.0
Gross realized losses		**(115.0)**		(77.0)
Net realized losses on fixed maturity securities		**(17.0)**		
Equity securities:				
Gross realized gains		**7.0**		4.0
Gross realized losses		**(4.0)**		(1.0)
Net realized gains on equity securities		**3.0**		3.0
Net realized gains (losses) on fixed maturity and equity securities	**$**	**(14.0)**	$	3.0

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

Issuer Description and Discussion		**Fair Value Date of Sale**		**Loss On Sale**	**Months in Unrealized Loss Prior To Sale (a)**
(In millions)					
Various notes and bonds issued by the United States Treasury. Securities sold due to inflationary outlook and asset class reallocation.	**$**	**3,590.0**	**$**	**18.0**	**0-6**
Total	**$**	**3,590.0**	**$**	**18.0**	

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

Valuation and Impairment of Investments

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

(In millions of dollars)		March 31, 2007			December 31, 2006	
General account investments:						
Fixed maturity securities available-for-sale:						
U.S. Treasury securities and obligations of government agencies	$	**4,635.0**	**10.3%**	$	5,138.0	11.6%
Asset-backed securities		**12,484.0**	**27.6**		13,677.0	31.0
States, municipalities and political subdivisions-tax-exempt		**5,665.0**	**12.5**		5,146.0	11.7
Corporate securities		**7,003.0**	**15.5**		7,132.0	16.2
Other debt securities		**3,699.0**	**8.2**		3,642.0	8.2
Redeemable preferred stock		**1,033.0**	**2.3**		912.0	2.1
Total fixed maturity securities available-for-sale		**34,519.0**	**76.4**		35,647.0	80.8
Fixed maturity securities trading:						
U.S. Treasury securities and obligations of government agencies		**3.0**			2.0	
Asset-backed securities		**57.0**	**0.1**		55.0	0.1
Corporate securities		**120.0**	**0.3**		133.0	0.3
Other debt securities		**19.0**			14.0	
Redeemable preferred stock		**1.0**				
Total fixed maturity securities trading		**200.0**	**0.4**		204.0	0.4
Equity securities available-for-sale:						
Common stock		**461.0**	**1.0**		452.0	1.0
Preferred stock		**146.0**	**0.3**		145.0	0.4
Total equity securities available-for-sale		**607.0**	**1.3**		597.0	1.4
Equity securities trading		**66.0**	**0.1**		60.0	0.1
Short-term investments available-for-sale		**7,671.0**	**17.0**		5,538.0	12.6
Short-term investments trading		**175.0**	**0.4**		172.0	0.4
Limited partnerships		**1,940.0**	**4.3**		1,852.0	4.2
Other investments		**25.0**	**0.1**		26.0	0.1
Total general account investments	$	**45,203.0**	**100.0%**	$	44,096.0	100.0%

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

Investments in the general account had a total net unrealized gain of $991.0 million at March 31, 2007 compared with a net unrealized gain of $966.0 million at December 31, 2006. The unrealized position at March 31, 2007 was comprised of a net unrealized gain of $734.0 million for fixed maturities, a net unrealized gain of $256.0 million for equity securities and a net unrealized gain of $1.0 million for short-term securities. The unrealized position at December 31, 2006 was comprised of a net unrealized gain of $716.0 million for fixed maturities, a net unrealized gain of $249.0 million for equity securities and a net unrealized gain of $1.0 million for short-term securities. See Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for further detail on the unrealized position of CNA's general account investment portfolio.

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

The following table provides the composition of fixed maturity securities with an unrealized loss at March 31, 2007 in relation to the total of all fixed maturity securities with an unrealized loss by maturity profile. Securities not due at a single date are allocated based on weighted average life.

	Percent of Market Value	Percent of Unrealized Loss
Due in one year or less	**12.0%**	**4.0%**
Due after one year through five years	**43.0**	**41.0**
Due after five years through ten years	**24.0**	**28.0**
Due after ten years	**21.0**	**27.0**
Total	**100.0%**	**100.0%**

CNA's non-investment grade fixed maturity securities available-for-sale at March 31, 2007 that were in a gross unrealized loss position had a fair value of $182.0 million. The following tables summarize the fair value and gross unrealized loss of non-investment grade securities categorized by the length of time those securities have been in a continuous unrealized loss position and further categorized by the severity of the unrealized loss position in 10.0% increments as of March 31, 2007 and December 31, 2006.

	Estimated	Fair Value as a Percentage of Amortized Cost				Unrealized
March 31, 2007	**Fair Value**	**90-99%**	**80-89%**	**70-79%**	**<70%**	**Loss**
(In millions)						
Fixed maturity securities:						
Non-investment grade:						
0-6 months	**$ 143.0**	**$ 1.0**				**$ 1.0**
7-12 months	**30.0**	**1.0**				**1.0**
13-24 months	**7.0**					
Greater than 24 months	**2.0**					
Total non-investment grade	**$ 182.0**	**$ 2.0**	**$ -**	**$ -**	**$ -**	**$ 2.0**
December 31, 2006						
Fixed maturity securities:						
Non- investment grade:						
0-6 months	$ 509.0	$ 2.0				$ 2.0
7-12 months	87.0	1.0	$ 1.0			2.0
13-24 months	24.0					
Greater than 24 months	2.0					
Total non-investment grade	$ 622.0	$ 3.0	$ 1.0	$ -	$ -	$ 4.0

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

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

The general account portfolio consists primarily of high quality bonds, 90.1% and 90.9% of which were rated as investment grade (rated BBB or higher) at March 31, 2007 and December 31, 2006.

The following table summarizes the ratings of CNA's general account bond portfolio at carrying value.

	March 31, 2007		December 31, 2006	
(In millions of dollars)				
U.S. Government and affiliated agency securities	**$ 4,765.0**	**14.1%**	$ 5,285.0	15.1%
Other AAA rated	**15,386.0**	**45.7**	16,311.0	46.7
AA and A rated	**5,364.0**	**15.9**	5,222.0	15.0
BBB rated	**4,866.0**	**14.4**	4,933.0	14.1
Non investment-grade	**3,304.0**	**9.9**	3,188.0	9.1
Total	**$ 33,685.0**	**100.0%**	$ 34,939.0	100.0%

At March 31, 2007 and December 31, 2006, approximately 95.0% and 96.0% of the general account portfolio was issued by U.S. Government and affiliated agencies or was rated by Standard & Poor's or Moody's Investors Service. The remaining bonds were rated by other rating agencies or CNA.

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

The carrying value of securities that are either subject to trading restrictions or trade in illiquid private placement markets at March 31, 2007 was $220.0 million which represents 0.5% of our total investment portfolio. These securities were in a net unrealized gain position of $137.0 million at March 31, 2007. Of these securities, 86.0% were priced by unrelated third party sources.

Included in CNA's general account fixed maturity securities at March 31, 2007 were $12,541.0 million of asset-backed securities, at fair value, consisting of approximately 63.0% in collateralized mortgage obligations ("CMOs"), 25.0% in corporate asset-backed obligations, 11.0% in corporate mortgage-backed pass-through certificates and 1.0% in U.S. Government agency issued pass-through certificates. The majority of CMOs held are actively traded in liquid markets and are primarily priced by a third party pricing service. Of the total asset-backed holdings, less than 8.0% have an exposure to sub prime mortgage collateral. The sub prime securities that are not investment grade are 0.3% of the total asset-backed holdings.

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

	March 31, 2007	December 31, 2006
(In millions)		
Short-term investments available-for-sale:		
Commercial paper	**$ 2,532.0**	$ 923.0
U.S. Treasury securities	**1,056.0**	1,093.0
Money market funds	**413.0**	196.0
Other, including collateral held related to securities lending	**3,670.0**	3,326.0
Total short-term investments available-for-sale	**7,671.0**	5,538.0
Short-term investments trading:		
Commercial paper	**41.0**	43.0
U.S. Treasury securities	**1.0**	2.0
Money market funds	**133.0**	127.0
Total short-term investments trading	**175.0**	172.0
Total short-term investments	**$ 7,846.0**	$ 5,710.0

The fair value of collateral held related to securities lending, included in other short-term investments, was $2,914.1 million and $2,850.9 million at March 31, 2007 and December 31, 2006, respectively.

ACCOUNTING STANDARDS

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

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

FORWARD-LOOKING STATEMENTS

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

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

Risks and uncertainties primarily affecting us and our insurance subsidiaries

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

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

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

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

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

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

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

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

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

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

- the occurrence of epidemics;

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

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

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

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

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

- the level of success in integrating acquired businesses and operations, and in consolidating, or selling existing ones;

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

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

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

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

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

Risks and uncertainties primarily affecting us and our tobacco subsidiaries

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

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

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

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

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

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

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

Risks and uncertainties primarily affecting us and our energy subsidiaries

- the impact of changes in demand for oil and natural gas and oil and gas price fluctuations on exploration and production activity;

- costs and timing of rig upgrades;

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

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

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

- the ability of Texas Gas and Gulf South to renegotiate, extend or replace existing customer contracts on favorable terms;

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

- the development of additional natural gas reserves and the completion of projected new liquefied natural gas facilities and expansion of existing facilities.

Risks and uncertainties affecting us and our subsidiaries generally

- general economic and business conditions;

- changes in financial markets (such as interest rate, credit, currency, commodities and equities markets) or in the value of specific investments;

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

- the economic effects of the September 11, 2001 terrorist attacks, other terrorist attacks and the war in Iraq;

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

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

- the results of financing efforts;

- the closing of any contemplated transactions and agreements; and

- the outcome of pending litigation.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

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

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

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

Our debt is denominated in U.S. Dollars and has been primarily issued at fixed rates, therefore, interest expense would not be impacted by interest rate shifts. The impact of a 100 basis point increase in interest rates on fixed rate debt would result in a decrease in market value of $321.8 million and $559.9 million at March 31, 2007 and December 31, 2006, respectively. A 100 basis point decrease would result in an increase in market value of $343.4 million and $352.9 million at March 31, 2007 and December 31, 2006, respectively.

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

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

Commodity Price Risk - We have exposure to price risk as a result of our investments in commodities. Commodity price risk results from changes in the level or volatility of commodity prices that impact instruments which derive their value from such commodities. Commodity price risk was measured assuming an instantaneous increase of 20% from their levels at March 31, 2007 and December 31, 2006.

Credit Risk - We are exposed to credit risk which relates to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Boardwalk Pipeline has exposure related to receivables for services provided, as well as volumes owed by customers for imbalances or gas lent by Boardwalk Pipeline to them generally under parking and lending services and no-notice services. Boardwalk Pipeline maintains credit policies intended to minimize this risk and actively monitors these policies. Natural gas price volatility has increased dramatically in recent years, which has materially increased Boardwalk Pipeline's credit risk related to gas loaned to its customers. As of March 31, 2007, the amount of gas loaned out was approximately 36.9 trillion British thermal units ("TBtu") and, assuming an average market price during March 2007 of $7.07 per million British thermal units ("MMBtu"), the market value of gas loaned out at March 31, 2007 would have been approximately $260.9 million. As of December 31, 2006, the amount of gas loaned out was approximately 15.1 TBtu and, assuming an average market price during December 2006 of $6.81 per MMBtu, the market value of gas loaned out at December 31, 2006 would have been approximately $102.8 million. If any significant customer should have credit or financial problems resulting in a delay or failure to repay the gas it owes Boardwalk Pipeline, it could have a material adverse effect on our financial condition, results of operations and cash flows.

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

Trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
	March 31, 2007	December 31, 2006	**March 31, 2007**	December 31, 2006
(In millions)				
Equity markets (1):				
Equity securities (a)	**$ 729.2**	$ 685.5	**$ (182.0)**	$ (171.0)
Futures - short			**72.0**	
Options - purchased	**22.4**	25.9	**4.0**	(1.0)
- written	**(3.8)**	(13.0)	**(1.0)**	9.0
Warrants	**0.3**	0.4		
Short sales	**(60.5)**	(61.9)	**15.0**	15.0
Limited partnership investments	**357.5**	343.2	**(29.0)**	(27.0)
Interest rate (2):				
Futures - long			**1.0**	
Futures - short			**(49.0)**	(29.0)
Interest rate swaps - short				21.0
Interest rate swaps - long		(0.5)		(4.0)
Fixed maturities - long	**626.8**	1,921.7	**24.0**	(38.0)
Short-term investments	**4,481.7**	4,385.5		
Other derivatives		2.2	**(2.0)**	9.0
Commodities (3):				
Options - purchased		0.5		(1.0)
- written		(0.1)		1.0

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25%, (2) a decrease in interest rates of 100 basis points at March 31, 2007 and an increase in interest rates of 100 basis points at December 31, 2006 and (3) an increase in commodity prices of 20%. Adverse changes on options which differ from those presented above would not necessarily result in a proportionate change to the estimated market risk exposure.

(a) A decrease in equity prices of 25% would result in market risk amounting to $(163.0) and $(162.0) at March 31, 2007 and December 31, 2006, respectively. This market risk would be offset by decreases in liabilities to customers under variable insurance contracts.

Other than trading portfolio:

Category of risk exposure:	Fair Value Asset (Liability)		Market Risk	
	March 31, 2007	December 31, 2006	**March 31, 2007**	December 31, 2006
(In millions)				
Equity markets (1):				
Equity securities:				
General accounts (a)	**$ 607.1**	$ 597.0	**$ (152.0)**	$ (149.0)
Separate accounts	**41.7**	41.4	**(10.0)**	(10.0)
Limited partnership investments	**1,910.6**	1,817.3	**(151.0)**	(143.0)
Interest rate (2):				
Fixed maturities (a)(b)	**34,519.8**	35,648.0	**(1,930.0)**	(1,959.0)
Short-term investments (a)	**10,139.5**	8,436.9	**(6.0)**	(5.0)
Other invested assets	**15.9**	21.3		
Other derivative securities	**8.3**	4.6	**201.0**	190.0
Separate accounts (a):				
Fixed maturities	**429.7**	433.1	**(21.0)**	(21.0)
Short-term investments	**27.2**	21.4		
Debt	**(5,189.0)**	(5,443.0)		

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

(a) Certain securities are denominated in foreign currencies. An assumed 20% decline in the underlying exchange rates would result in an aggregate foreign currency exchange rate risk of $(264.0) and $(283.0) at March 31, 2007 and December 31, 2006, respectively.

(b) Certain fixed maturities positions include options embedded in convertible debt securities. A decrease in underlying equity prices of 25% would result in market risk amounting to $(257.0) and $(227.0) at March 31, 2007 and December 31, 2006, respectively.

Item 4. Controls and Procedures.

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

The Company’s principal executive officer (“CEO”) and principal financial officer (“CFO”) undertook an evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. The CEO and CFO have concluded that the Company’s controls and procedures were effective as of March 31, 2007.

There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the foregoing evaluation that occurred during the quarter ended March 31, 2007, that have materially affected or that are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

1. Insurance Related.

Information with respect to insurance related legal proceedings is incorporated by reference to Note 10 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report.

2. Tobacco Related.

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

Item 1A. Risk Factors.

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

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

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

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

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

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

(c) STOCK REPURCHASES

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in millions)
January 1, 2007 - January 31, 2007	754,600	$41.06	N/A	N/A
February 1, 2007 - February 28, 2007	2,239,149	43.64	N/A	N/A
March 1, 2007 March 31, 2007	4,267,700	43.42	N/A	N/A

Item 6. Exhibits.

Description of Exhibit	Exhibit Number
Loews Corporation 2000 Stock Option Plan as amended through April 10, 2007	10.1*
Carolina Group 2002 Stock Option Plan as amended through April 10, 2007	10.2*
Certification by the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.1*
Certification by the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.2*
Certification by the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.1*
Certification by the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.2*
Pending Tobacco Litigation, incorporated by reference to Exhibit 99.01 to Registrant's Report on Form 10-K for the year ended December 31, 2006	99.1

*Filed herewith.

SIGNATURES

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

LOEWS CORPORATION
(Registrant)

Dated: April 30, 2007

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

LOEWS CORPORATION
2000 STOCK OPTION PLAN

(as amended through April 10, 2007)

Section 1. General

1.1 *Purpose*. The Loews Corporation 2000 Stock Option Plan (the "Plan") has been established by Loews Corporation (the "Company") to (i) attract and retain persons eligible to participate in the Plan, (ii) motivate Participants, by means of appropriate incentives, to achieve long-term Company goals, and reward Participants for achievement of those goals, and (iii) provide incentive compensation opportunities that are competitive with those of other similar companies, and thereby promote the financial interest of the Company and its Subsidiaries.

1.2 *Operation and Administration*. The operation and administration of the Plan shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

Section 2. Options

2.1 *Option Grant*. The Committee may grant Options in accordance with this Section 2.

2.2 *Definitions*. The grant of an "Option" permits the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Any Option granted under the Plan may be either an incentive stock option (an "ISO") or a non-qualified option (an "NQO"), as determined in the discretion of the Committee. An "ISO" is an Option that is intended to be an "incentive stock option" described in section 422(b) of the Code and does in fact satisfy the requirements of that section. An "NQO" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code, or that fails to satisfy the requirements of that section.

2.3 *Exercise Price*. The "Exercise Price" of each Option granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted; except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock). In no event may any Option granted under this Plan be amended, other than pursuant to Section 4.2(e), to decrease the Exercise Price thereof, be cancelled in conjunction with the grant of any new Option with a lower Exercise Price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option, unless such amendment, cancellation, or action is approved by the Company's shareholders.

2.4 *Vesting and Exercise*. An Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

(a) Unless otherwise provided by the Committee at the time of grant or thereafter, each Option shall vest and become exercisable in four equal annual installments beginning on the first anniversary of the date of grant, and shall thereafter remain exercisable during the Term.

(b) Unless otherwise provided by the Committee at the time of grant or thereafter, the Term of each Option shall end on the earliest of (1) the date on which such Option has been exercised in full, (2) the date on which the Participant experiences a Termination for Cause or a voluntary Termination, (3) the one-year anniversary of the date on which the Participant experiences a Termination due to death or Disability, (4) the three-year anniversary of the date on which the Participant experiences a Termination due to such person's Retirement, and (5) the 90th day after the Participant experiences a Termination for any other reason; provided, that in no event may the Term exceed ten (10) years from the date of grant of the Option. Except as otherwise determined by the Committee at the time of grant or thereafter, upon the occurrence of a Termination of a Participant for any reason, the Term of all outstanding Options held by the Participant that are unvested as of the date of such Termination shall thereupon end and such unvested Options shall be forfeited immediately; provided, however, that the Committee may, in its sole discretion, accelerate the vesting of any Option and/or extend the exercise period of any Option (but not beyond the ten-year anniversary of the grant date).

(c) An Option may be exercised and the underlying shares purchased in accordance with this Section 2 at any time after the Option with respect to those shares vests and before the expiration of the Term. To exercise an Option, the Participant shall give written notice to the Company stating the number of shares with respect to which the Option is being exercised.

(d) The full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in the last sentence of this paragraph (d), payment may be made as soon as practicable after the exercise). The Exercise Price shall be payable by check, or such other instrument as the Committee may accept. The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise. In the case of any ISO such permission must be provided for at the time of grant and set forth in an Award Certificate. In addition, if approved by the Committee, payment, in full or in part, may also be made in the form of unrestricted Mature Shares, based on the Fair Market Value of the Mature Shares on the date the Option is exercised; provided, however, that, in the case of an ISO the right to make a payment in such Mature Shares may be authorized only at the time the Option is granted.

Section 3. Stock Appreciation Rights

3.1 *Types and Nature of Stock Appreciation Rights*. A "Stock Appreciation Right" is the right to receive an amount equal in value to the excess, if any, on the date of exercise, of the Fair Market Value of a share of Stock over the Exercise Price of the Stock Appreciation Right. Stock Appreciation Rights may be "Tandem SARs," which are granted in conjunction with an Option, or "Free-Standing SARs," which are not granted in conjunction with an Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive an amount equal to the product of (i) the excess of the Fair Market Value of one share of Stock over the Exercise Price of the applicable Stock Appreciation Right, multiplied by (ii) the number of shares of Stock in respect of which the Stock Appreciation Right has been exercised. Such amount shall be paid in cash, Stock, or a combination thereof (with the amount of such cash being determined based upon the Fair Market Value of the Stock on the date of exercise). As determined by the Committee, the applicable Award Certificate shall specify whether such payment is to be made in cash or Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

3.2 *Tandem SARs*. A Tandem SAR may be granted on the grant date of the related Option or, in the case of a related NQO, at any time after the grant date thereof while the related NQO remains outstanding. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Option is exercisable in accordance with the provisions of Section 2, and shall at all times have the same Exercise Price as the related Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Option, and the related Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

3.3 *Exercise Price*. The "Exercise Price" per share of Stock subject to a Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Certificate, and shall not be less than 100% of the Fair Market Value of a share of Stock on the applicable grant date. In no event may any Free-Standing SAR granted under this Plan be amended, other than pursuant to Section 4.2(e), to decrease the Exercise Price thereof, be cancelled in conjunction with the grant of any new Option or Free-Standing SAR with a lower Exercise Price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company's shareholders.

3.4 *Term*. Unless otherwise provided by the Committee at the time of grant or thereafter, the

Term of each Free-Standing SAR shall end on the earliest of (1) the date on which such Free-Standing SAR has been exercised in full, (2) the date on which the Participant experiences a Termination for Cause or a voluntary Termination, (3) the one-year anniversary of the date on which the Participant experiences a Termination due to death or Disability, (4) the three-year anniversary of the date on which the Participant experiences a Termination due to such person's Retirement, and (5) the 90th day after the Participant experiences a Termination for any other reason; provided, that in no event may the Term exceed ten (10) years from the date of grant of the Free-Standing SAR. Except as otherwise determined by the Committee at the time of grant, upon the occurrence of a Termination of a Participant for any reason, the Term of all outstanding Free-Standing SARs held by the Participant that are unvested as of the date of such Termination shall thereupon end and such unvested Free-Standing SARs shall be forfeited immediately provided, however, that the Committee may, in its sole discretion, accelerate the vesting of any Stock Appreciation Right and/or extend the exercise period of any Stock Appreciation Right (but not beyond the ten-year anniversary of the grant date).

3.5 *Vesting and Exercise*. Except as otherwise provided herein, Free-Standing SARs shall vest and be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the applicable Award Certificate.

Section 4. Operation and Administration

4.1 *Effective Date*. The Plan is effective as of January 18, 2000 (the "Effective Date"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Options or Stock Appreciation Rights under it are outstanding.

4.2 *Shares Subject to Plan*. The shares of Stock for which Options and Stock Appreciation Rights may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Options and Stock Appreciation Rights may be granted under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

(b) Subject to the following provisions of this subsection 4.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 12,000,000 shares of Stock (as adjusted to reflect stock splits effected March 2001 and May 2006).

(c) To the extent any shares of Stock covered by an Option are not delivered to a Participant or beneficiary because the Option is forfeited or canceled, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(d) Subject to paragraph 4.2(e), the maximum number of shares that may be covered by Options and/or Stock Appreciation Rights granted to any one individual during any one calendar year period shall be 1,200,000 shares (as adjusted to reflect stock splits effected March 2001 and May 2006).

(e) In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee shall make adjustments to preserve the benefits or potential benefits of the Plan and outstanding Options and/or Stock Appreciation Rights. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares referred to in Sections 4.2 (b) and (d); (iii) adjustment of the number and kind of shares subject to outstanding Options and Stock Appreciation Rights; (iv) adjustment of the Exercise Price of outstanding Options and Stock Appreciation Rights; (v) settlement in cash or Stock in an amount equal to the excess of the value of the Stock subject to such Options and Stock Appreciation Rights over the aggregate Exercise Price (as determined by the Committee) of such Options and Stock Appreciation Rights; and (vi) any other adjustments that the Committee determines to be equitable. The Committee shall make all such adjustments, and its determination as to what adjustments shall be made, and the extent thereof, shall be final.

4.3 *General Restrictions*. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933 and Code Section 409A), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 *Tax Withholding*. All distributions under the Plan are subject to withholding of all applicable taxes, and the delivery of any shares or other benefits under the Plan shall be conditioned on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of shares of Stock which the Participant already owns, or through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan; provided that surrender of shares may be used only to satisfy the minimum withholding required by law.

4.5 *Grant and Use of Options*. In the discretion of the Committee, more than one Option and/or Stock Appreciation Right may be granted to a Participant. Options and Stock Appreciation Rights may be granted as alternatives to or replacements of Options and Stock Appreciation Rights granted or outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary). Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations. Notwithstanding the foregoing, the assumption by the Company of options in connection with the acquisition of a business or other entity and the conversion of such options into options to acquire Stock shall not be treated as a new grant of Options under the Plan unless specifically so provided by the Committee.

4.6 *Settlement of Options*. The Committee may from time to time establish procedures pursuant to which a Participant may elect to defer, until a time or times later than the exercise of an Option or Stock Appreciation Right, receipt of all or a portion of the shares of Stock subject to such Option or Stock Appreciation Right and/or to receive cash at such later time or times in lieu of such deferred shares, all on such terms and conditions as the Committee shall determine. If any such deferrals are permitted, then a Participant who elects such deferral shall not have any rights as a stockholder with respect to such deferred shares unless and until shares are actually delivered to the Participant with respect thereto, except to the extent otherwise determined by the Committee.

4.7 *Code Section 409A.*

(a) It is the intention of the Company that no grant of Options or Stock Appreciation Rights shall be "deferred compensation" subject to Code Section 409A, unless and to the extent that the Committee specifically determines otherwise as provided below, and the Plan and the terms and conditions of all grants of Options and Stock Appreciation Rights shall be interpreted accordingly.

(b) The terms and conditions governing any grants of Options and Stock Appreciation Rights that the Committee determines will be subject to Code Section 409A, including any rules for elective or mandatory deferral of the delivery of cash pursuant thereto, shall be set forth in writing, and shall comply in all respects with Code Section 409A.

4.8 *Other Plans*. Amounts payable under this Plan shall not be taken into account as compensation for purposes of any other employee benefit plan or program of the Company or any of its Subsidiaries, except to the extent otherwise provided by such plans or programs, or by an agreement between the affected Participant and the Company.

4.9 *Heirs and Successors*. The terms of the Plan shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

4.10 *Transferability.* Options and Stock Appreciation Rights granted under the Plan are not transferable except (i) as designated by the Participant by will or by the laws of descent and distribution or (ii) in the case of a Free-Standing SAR or NQO and any associated Tandem SAR, as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to such Participant's immediate family, whether directly or indirectly or by means of a trust or partnership or otherwise. If any rights exercisable by a Participant or benefits deliverable to a Participant under any Award Certificate under the Plan have not been exercised or delivered, respectively, at the time of the Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be delivered to the Designated Beneficiary, in accordance with the provisions of the applicable terms of the Award Certificate and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant to receive benefits under the Company's group term life insurance plan or such other person or persons as the Participant may designate by notice to the Company. If a deceased Participant fails to have designated a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be exercised by or distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the Designated Beneficiary's exercise of all rights under the Award Certificate or before the complete distribution of benefits to the Designated Beneficiary under the Award Certificate, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary. All Options and Stock Appreciation Rights shall be exercisable, subject to the terms of this Plan, only by the Participant or any person to whom such Option or Stock Appreciation Right is transferred pursuant to this paragraph, it being understood that the term Participant shall include such transferee for purposes of the exercise provisions contained herein.

4.11 *Notices*. Any written notices provided for in the Plan or under any Award Certificate shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by confirmed fax or overnight courier, or by postage paid first class mail. Notice and communications shall be effective when actually received by the addressee. Notices shall be directed, if to the Participant, at the Participant's address indicated in the Award Certificate, or if to the Company, at the Company's principal executive office to the attention of the Company's Secretary.

4.12 *Action by Company*. Any action required or permitted to be taken by the Company shall be by resolution of the Board, or by action of one or more members of the Board (including a committee of the Board) who are duly authorized to act for the Board, or by a duly authorized officer of the Company.

4.13 *Limitation of Implied Rights*.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any Participant the right to be retained in the employ of, or as a director or consultant to, the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

4.14 *Gender and Number*. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.15 *Laws Applicable to Construction*. The interpretation, performance and enforcement of this Plan and all Award Certificates shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware.

4.16 *Evidence*. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

Section 5. Committee

5.1 *Administration*. The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee of the Board or such other committee of the Board as the Board may from time to time designate (the “Committee”) in accordance with Section 4. In addition, the Board may exercise any power given to the Committee under the Plan.

5.2 *Powers of Committee*. The Committee’s administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Options and/or Stock Appreciation Rights, to determine the grant date of, the number of shares subject to and the Exercise Price of those Options and Stock Appreciation Rights, to establish all other terms and conditions of such Options and Stock Appreciation Rights, and (subject to the restrictions imposed by Section 6) to cancel or suspend Options and Stock Appreciation Rights.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(d) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles and by-laws of the Company, and applicable state corporate law.

5.3 *Delegation by Committee*. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 *Information to be Furnished to Committee*. The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment, engagement, Termination, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons eligible for benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 6. Amendment and Termination

The Board may, at any time, amend or terminate the Plan; provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Option or Stock Appreciation Right granted under the Plan prior to the date such amendment is adopted by the Board; and further provided that adjustments pursuant to paragraph 4.2(e) shall not be subject to the foregoing limitations of this Section 6.

Section 7. Defined Terms

As used in this Plan, the following definitions shall apply:

(a) *Award Certificate*. The term "Award Certificate" shall mean a written certificate setting forth the terms and conditions of an Option or Stock Appreciation Right, in such form as the Committee may from time to time prescribe.

(b) *Board*. The term "Board" means the Board of Directors of the Company.

(c) *Cause.* The term "Cause" shall have the meaning set forth in the employment or engagement agreement between a Participant and the Company or any Subsidiary thereof, if such an agreement exists and contains a definition of Cause; otherwise Cause shall mean (1) conviction of the Participant for committing a felony under Federal law or the law of the state in which such action occurred, (2) dishonesty in the course of fulfilling a Participant's employment, engagement or directorial duties, (3) willful and deliberate failure on the part of a Participant to perform the Participant's employment, engagement or directorial duties in any material respect or (4) such other events as shall be determined in good faith by the Committee. The Committee shall, unless otherwise provided in an Award Certificate or employment agreement with the Participant, have the sole discretion to determine whether Cause exists, and its determination shall be final.

(d) *Code*. The term "Code" means the Internal Revenue Code of 1986, as amended, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

(e) *Committee*. The term "Committee" shall have the meaning set forth in Section 5.1.

(f) *Company*. The term "Company" shall have the meaning set forth in Section 1.1.

(g) *Designated Beneficiary*. The term "Designated Beneficiary" shall have the meaning set forth in Section 4.10.

(h) *Disability*. The term "Disability" shall mean, unless otherwise provided by the Committee, (1) "Disability" as defined in any individual Award Certificate to which the Participant is a party, or (2) if there is no such Award Certificate or it does not define "Disability," permanent and total disability as determined under the Company's long-term disability plan applicable to the Participant.

(i) *Effective Date*. The term "Effective Date" shall have the meaning set forth in Section 4.1.

(j) *Eligible Grantee*. The term "Eligible Grantee" shall mean any individual who is employed on a full-time or part-time basis, or who serves as a consultant to, by the Company or a Subsidiary and any non-employee director of the Company. An Option or Stock Appreciation Right may be granted to an individual in connection with such individual's hiring or engagement prior to the date the individual first performs services for the Company or the Subsidiaries, provided that the individual will be an Eligible Grantee upon his hiring or engagement, and further provided that such Options and/or Stock Appreciation Rights shall not become vested prior to the date the individual first performs such services.

(k) *Exercise Price*. The term "Exercise Price" shall have the meaning set forth in Section 2.3 and 3.3 as applicable.

(l) *Fair Market Value*. The "Fair Market Value" of a share of Stock shall be, as of any given date, the mean between the highest and lowest reported sales prices on the immediately preceding date (or, if there are no reported sales on such immediately preceding date, on the last date prior to such date on which there were sales) of the Stock on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Stock is listed or on NASDAQ. If there is no regular public trading market for such Stock, the Fair Market Value of the Stock shall be determined by the Committee in good faith.

(m) *Free-Standing SAR*. The term "Free-Standing SAR" shall have the meaning set forth in Section 3.1.

(n) *ISO*. The term "ISO" shall have the meaning set forth in Section 2.2.

(o) *Mature Shares*. The term "Mature Shares" shall mean shares of Stock that have been owned by the Participant in question for at least six months.

(p) *NQO*. The term "NQO" shall have the meaning set forth in Section 2.2.

(q) *Option*. The term "Option" shall have the meaning set forth in Section 2.2.

(r) *Plan*. The term "Plan" shall have the meaning set forth in Section 1.1.

(s) *Retirement*. The term "Retirement" shall mean retirement from active employment with the Company pursuant to any retirement plan or program of the Company or any Subsidiary in which the Participant participates. A Termination by a consultant or non-employee director shall in no event be considered a Retirement.

(t) *Stock*. The term "Stock" shall mean shares of common stock of the Company.

(u) *Stock Appreciation Right*. The term "Stock Appreciation Right " shall have the meaning set forth in Section 3.1.

(v) *Subsidiary*. The term "Subsidiary" means any business or entity in which at any relevant time the Company holds at least a 50% equity (voting or non-voting) interest.

(w) *Tandem SAR*. The term "Tandem SAR" shall have the meaning set forth in Section 3.1.

(x) *Term*. The term "Term" shall mean the period beginning on the date of grant of an Option or Stock Appreciation Right and ending on the date the Option or Stock Appreciation Right expires pursuant to the Plan and the relevant Award Certificate.

(y) *Termination*. A Participant shall be considered to have experienced a Termination if he or she ceases, for any reason, to be an employee, consultant or non-employee director of the Company or any of its Subsidiaries, including, without limitation, as a result of the fact that the entity by which he or she is employed or engaged or of which he or she is a director has ceased to be affiliated with the Company.

Exhibit 10.2

CAROLINA GROUP
2002 STOCK OPTION PLAN

(as amended through April 10, 2007)

Section 1. General

1.1 *Purpose*. The Carolina Group 2002 Stock Option Plan (the "Plan") has been established by Loews Corporation (the "Company") to (i) attract and retain persons eligible to participate in the Plan, (ii) motivate Participants, by means of appropriate incentives, to achieve long-term goals of the Carolina Group, and reward Participants for achievement of those goals, and (iii) provide incentive compensation opportunities that are competitive with those of other similar companies, and thereby promote the financial interest of Lorillard, Inc. and its subsidiaries and any companies attributed to the Carolina Group in the future.

1.2 *Operation and Administration*. The operation and administration of the Plan shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

Section 2. Options

2.1 *Option Grant*. The Committee may grant Options in accordance with this Section 2.

2.2 *Definitions*. The grant of an "Option" permits the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Any Option granted under the Plan may be either an incentive stock option (an "ISO") or a non-qualified option (an "NQO"), as determined in the discretion of the Committee. An "ISO" is an Option that is intended to be an "incentive stock option" described in section 422(b) of the Code and does in fact satisfy the requirements of that section. An "NQO" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code, or that fails to satisfy the requirements of that section.

2.3 *Exercise Price*. The "Exercise Price" of each Option granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted; except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock). In no event may any Option granted under this Plan be amended, other than pursuant to Section 4.2(e), to decrease the Exercise Price thereof, be cancelled in conjunction with the grant of any new Option with a lower Exercise Price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option, unless such amendment, cancellation, or action is approved by the Company's shareholders.

2.4 *Vesting and Exercise*. An Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

(a) Unless otherwise provided by the Committee at the time of grant or thereafter, each Option shall vest and become exercisable in four equal annual installments beginning on the first anniversary of the date of grant, and shall thereafter remain exercisable during the Option Term.

(b) Unless otherwise provided by the Committee at the time of grant or thereafter, the Option Term of each Option shall end on the earliest of (1) the date on which such Option has been exercised in full, (2) the date on which the Participant experiences a Termination for Cause or a voluntary Termination, (3) the one-year anniversary of the date on which the Participant experiences a Termination due to death or Disability, (4) the three-year anniversary of the date on which the Participant experiences a Termination due to such person's Retirement, and (5) the 90th day after the Participant experiences a Termination for any other reason; provided, that in no event may the Option Term exceed ten (10) years from the date of grant of the Option. Except as otherwise determined by the Committee at the time of grant or thereafter, upon the occurrence of a Termination of a Participant for any reason, the Option Term of all outstanding Options held by the Participant that are unvested as of the date of such Termination shall thereupon end and such unvested Options shall be forfeited immediately; provided, however, that the Committee may, in its sole discretion, accelerate the vesting of any Option and/or extend the exercise period of any Option (but not beyond the ten-year anniversary of the grant date).

(c) An Option may be exercised and the underlying shares purchased in accordance with this Section 2 at any time after the Option with respect to those shares vests and before the expiration of the Option Term. To exercise an Option, the Participant shall give written notice to the Company stating the number of shares with respect to which the Option is being exercised.

(d) The full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in the last sentence of this paragraph (d), payment may be made as soon as practicable after the exercise). The Exercise Price shall be payable by check, or such other instrument as the Committee may accept. The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise. In the case of any ISO such permission must be provided for at the time of grant and set forth in an Award Certificate. In addition, if approved by the Committee, payment, in full or in part, may also be made in the form of unrestricted Mature Shares, based on the Fair Market Value of the Mature Shares on the date the Option is exercised; provided, however, that, in the case of an ISO the right to make a payment in such Mature Shares may be authorized only at the time the Option is granted.

Section 3. Stock Appreciation Rights

3.1 *Types and Nature of Stock Appreciation Rights*. A "Stock Appreciation Right" is the right to receive an amount equal in value to the excess, if any, on the date of exercise, of the Fair Market Value of a share of Stock over the Exercise Price of the Stock Appreciation Right. Stock Appreciation Rights may be "Tandem SARs," which are granted in conjunction with an Option, or "Free-Standing SARs," which are not granted in conjunction with an Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive an amount equal to the product of (i) the excess of the Fair Market Value of one share of Stock over the Exercise Price of the applicable Stock Appreciation Right, multiplied by (ii) the number of shares of Stock in respect of which the Stock Appreciation Right has been exercised. Such amount shall be paid in cash, Stock, or a combination thereof (with the amount of such cash being determined based upon the Fair Market Value of the Stock on the date of exercise). As determined by the Committee, the applicable Award Certificate shall specify whether such payment is to be made in cash or Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

3.2 *Tandem SARs*. A Tandem SAR may be granted on the grant date of the related Option or, in the case of a related NQO, at any time after the grant date thereof while the related NQO remains outstanding. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Option is exercisable in accordance with the provisions of Section 2, and shall at all times have the same Exercise Price as the related Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Option, and the related Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

3.3 *Exercise Price*. The "Exercise Price" per share of Stock subject to a Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Certificate, and shall not be less than 100% of the Fair Market Value of a share of Stock on the applicable grant date. In no event may any Free-Standing SAR granted under this Plan be amended, other than pursuant to Section 4.2(e), to decrease the Exercise Price thereof, be cancelled in conjunction with the grant of any new Option or Free-Standing SAR with a lower Exercise Price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company's shareholders.

3.4 *Term*. Unless otherwise provided by the Committee at the time of grant or thereafter, the Term of each Free-Standing SAR shall end on the earliest of (1) the date on which such Free-Standing SAR has been exercised in full, (2) the date on which the Participant experiences a Termination for Cause or a voluntary Termination, (3) the one-year anniversary of the date on which the Participant experiences a Termination due to death or Disability, (4) the three-year anniversary of the date on which the Participant experiences a Termination due to such person's Retirement, and (5) the 90th day after the Participant experiences a Termination for any other reason; provided, that in no event may the Term exceed ten (10) years from the date of grant of the Free-Standing SAR. Except as otherwise determined by the Committee at the time of grant, upon the occurrence of a Termination of a Participant for any reason, the Term of all outstanding Free-Standing SARs held by the Participant that are unvested as of the date of such Termination shall thereupon end and such unvested Free-Standing SARs shall be forfeited immediately provided, however, that the Committee may, in its sole discretion, accelerate the vesting of any Stock Appreciation Right and/or extend the exercise period of any Stock Appreciation Right (but not beyond the ten-year anniversary of the grant date).

3.5 *Vesting and Exercise*. Except as otherwise provided herein, Free-Standing SARs shall vest and be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the applicable Award Certificate.

Section 4. Operation and Administration

4.1 *Effective Date*. The Plan shall be effective as of January 31, 2002 (the "Effective Date"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Options or Stock Appreciation Rights under it are outstanding.

4.2 *Shares Subject to Plan*. The shares of Stock for which Options and Stock Appreciation Rights may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Options and Stock Appreciation Rights may be granted under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

(b) Subject to the following provisions of this subsection 4.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 1,500,000 shares of Stock.

(c) To the extent any shares of Stock covered by an Option are not delivered to a Participant or beneficiary because the Option is forfeited or canceled, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(d) Subject to paragraph 4.2(e), the maximum number of shares that may be covered by Options, and/or Stock Appreciation Rights granted to any one individual during any one calendar year period shall be 200,000 shares.

(e) In the event of a corporate transaction involving the Stock and/or the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee shall make adjustments to preserve the benefits or potential benefits of the Plan and outstanding Options and/or Stock Appreciation Rights. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares referred to in Sections 4.2 (b) and (d); (iii) adjustment of the number and kind of shares subject to outstanding Options and Stock Appreciation Rights; (iv) adjustment of the Exercise Price of outstanding Options and Stock Appreciation Rights; (v) settlement in cash or Stock in an amount equal to the excess of the value of the Stock subject to such Option and Stock Appreciation Rights over the aggregate Exercise Price (as determined by the Committee) of such Options and Stock Appreciation Rights; and (vi) any other adjustments that the Committee determines to be equitable. The Committee shall make all such adjustments, and its determination as to what adjustments shall be made, and the extent thereof, shall be final.

4.3 *General Restrictions*. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933 and Code Section 409(A)), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 *Tax Withholding*. All distributions under the Plan are subject to withholding of all applicable taxes, and the delivery of any shares or other benefits under the Plan shall be conditioned on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of shares of Stock which the Participant already owns, or through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan; provided that surrender of shares may be used only to satisfy the minimum withholding required by law.

4.5 *Grant and Use of Options and Stock Appreciation Rights*. In the discretion of the Committee, more than one Option and/or Stock Appreciation Right may be granted to a Participant. Options and Stock Appreciation Rights may be granted as alternatives to or replacements of Options and Stock Appreciation Rights granted or outstanding under the Plan. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future, including the plans and arrangements of such entities assumed in business combinations. Notwithstanding the foregoing, the assumption by the Company of options in connection with the acquisition of a business or other entity and the conversion of such options into options to acquire Stock shall not be treated as a new grant of Options under the Plan unless specifically so provided by the Committee.

4.6 *Settlement of Options and Stock Appreciation Rights*. The Committee may from time to time establish procedures pursuant to which a Participant may elect to defer, until a time or times later than the exercise of an Option or Stock Appreciation Right, receipt of all or a portion of the shares of Stock subject to such Option or Stock Appreciation Right and/or to receive cash at such later time or times in lieu of such deferred shares, all on such terms and conditions as the Committee shall determine. If any such deferrals are permitted, then a Participant who elects such deferral shall not have any rights as a stockholder with respect to such deferred shares unless and until shares are actually delivered to the Participant with respect thereto, except to the extent otherwise determined by the Committee.

4.7 *Code Section 409A*.

(a) It is the intention of the Company that no grant of Options or Stock Appreciation Rights shall be "deferred compensation" subject to Code Section 409A, unless and to the extent that the Committee specifically determines otherwise as provided below, and the Plan and the terms and conditions of all grants of Options and Stock Appreciation Rights shall be interpreted accordingly.

(b) The terms and conditions governing any grants of Options and Stock Appreciation Rights that the Committee determines will be subject to Code Section 409A, including any rules for elective or mandatory deferral of the delivery of cash pursuant thereto, shall be set forth in writing, and shall comply in all respects with Code Section 409A.

4.8 *Other Plans*. Amounts payable under this Plan shall not be taken into account as compensation for purposes of any other employee benefit plan or program of the Company or any of its Subsidiaries, except to the extent otherwise provided by such plans or programs, or by an agreement between the affected Participant and the Company or Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future.

4.9 *Heirs and Successors*. The terms of the Plan shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

4.10 *Transferability*. Options and Stock Appreciation Rights granted under the Plan are not transferable except (i) as designated by the Participant by will or by the laws of descent and distribution or (ii) in the case of a Free-Standing SAR or NQO and any associated Tandem SAR, as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to such Participant's immediate family, whether directly or indirectly or by means of a trust or partnership or otherwise. If any rights exercisable by a Participant or benefits deliverable to a Participant under any Award Certificate under the Plan have not been exercised or delivered, respectively, at the time of the Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be delivered to the Designated Beneficiary, in accordance with the provisions of the applicable terms of the Award Certificate and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant to receive benefits under the group term life insurance plan of Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future or such other person or persons as the Participant may designate by notice to the Company. If a deceased Participant fails to have designated a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be exercised by or distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the Designated Beneficiary's exercise of all rights under the Award Certificate or before the complete distribution of benefits to the Designated Beneficiary under the Award Certificate, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary. All Options and Stock Appreciation Rights shall be exercisable, subject to the terms of this Plan, only by the Participant or any person to whom such Option or Stock Appreciation Right is transferred pursuant to this paragraph, it being understood that the term Participant shall include such transferee for purposes of the exercise provisions contained herein.

4.11 *Notices*. Any written notices provided for in the Plan or under any Award Certificate shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by confirmed fax or overnight courier, or by postage paid first class mail. Notice and communications shall be effective when actually received by the addressee. Notices shall be directed, if to the Participant, at the Participant's address indicated in the Award Certificate, or if to the Company, at the Company's principal executive office to the attention of the Company's Secretary.

4.12 *Action by Company*. Any action required or permitted to be taken by the Company shall be by resolution of the Board, or by action of one or more members of the Board (including a committee of the Board) who are duly authorized to act for the Board, or by a duly authorized officer of the Company.

4.13 *Limitation of Implied Rights*.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any Participant the right to be retained in the employ of, or as a director or consultant to, the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

4.14 *Gender and Number*. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.15 *Laws Applicable to Construction*. The interpretation, performance and enforcement of this Plan and all Option Certificates shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware.

4.16 *Evidence*. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

Section 5. Committee

5.1 *Administration*. The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee of the Board or such other committee of the Board as the Board may from time to time designate (the "Committee") in accordance with Section 4. In addition, the Board may exercise any power given to the Committee under the Plan.

5.2 *Powers of Committee*. The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Options and/or Stock Appreciation Rights, to determine the grant date of, the number of shares subject to and the Exercise Price of those Options and Stock Appreciation Rights, to establish all other terms and conditions of such Options and Stock Appreciation Rights, and (subject to the restrictions imposed by Section 6) to cancel or suspend Options and Stock Appreciation Rights.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(d) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the charter and by-laws of the Company, and applicable state corporate law.

5.3 *Delegation by Committee*. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 *Information to be Furnished to Committee*. The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment, engagement, Termination, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons eligible for benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 6. Amendment and Termination

The Board may, at any time, amend or terminate the Plan; provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Option or Stock Appreciation Right granted under the Plan prior to the date such amendment is adopted by the Board; and further provided that adjustments pursuant to paragraph 4.2(e) shall not be subject to the foregoing limitations of this Section 6.

Section 7. Defined Terms

As used in this Plan, the following definitions shall apply:

(a) *Award Certificate*. The term "Award Certificate" shall mean a written certificate setting forth the terms and conditions of an Option or Stock Appreciation Right, in such form as the Committee may from time to time prescribe.

(b) *Board*. The term "Board" means the Board of Directors of the Company.

(c) *Carolina Group*. The term "Carolina Group" shall have the meaning set forth in the Company's Restated Certificate of Incorporation, as amended from time to time.

(d) *Cause*. The term "Cause" shall have the meaning set forth in the employment or engagement agreement between a Participant and Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future, if such an agreement exists and contains a definition of Cause; otherwise Cause shall mean (1) conviction of the Participant for committing a felony under Federal law or the law of the state in which such action occurred, (2) dishonesty in the course of fulfilling a Participant's employment, engagement or directorial duties, (3) willful and deliberate failure on the part of a Participant to perform the Participant's employment, engagement or directorial duties in any material respect or (4) such other events as shall be determined in good faith by the Committee. The Committee shall, unless otherwise provided in the Award Certificate or an employment agreement with the Participant, have the sole discretion to determine whether Cause exists, and its determination shall be final.

(e) *Code*. The term "Code" means the Internal Revenue Code of 1986, as amended, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

(f) *Committee*. The term "Committee" shall have the meaning set forth in Section 5.1.

(g) *Company*. The term "Company" shall have the meaning set forth in Section 1.1.

(h) *Designated Beneficiary*. The term "Designated Beneficiary" shall have the meaning set forth in Section 4.10.

(i) *Disability*. The term “Disability” shall mean, unless otherwise provided by the Committee, (1) “Disability” as defined in any individual Award Certificate to which the Participant is a party, or (2) if there is no such Award Certificate or it does not define “Disability,” permanent and total disability as determined under the long-term disability plan of Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future applicable to the Participant.

(j) *Effective Date*. The term “Effective Date” shall have the meaning set forth in Section 4.1.

(k) *Eligible Grantee*. The term “Eligible Grantee” shall mean any individual who is employed on a full-time or part-time basis by, or who serves as a consultant to, Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future and any non-employee director of Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future. An Option or Stock Appreciation Right may be granted to an individual in connection with such individual’s hiring or engagement prior to the date the individual first performs services for Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future; provided that the individual will be an Eligible Grantee upon his hiring or engagement; and further provided that such Options and/or Stock Appreciation Rights shall not become vested prior to the date the individual first performs such services.

(l) *Exercise Price*. The term “Exercise Price” shall have the meaning set forth in Section 2.3 and 3.3 as applicable.

(m) *Fair Market Value*. The “Fair Market Value” of a share of Stock shall be, as of any given date, the mean between the highest and lowest reported sales prices during normal trading hours on the immediately preceding date (or, if there are no reported sales on such immediately preceding date, on the last date prior to such date on which there were sales) of the Stock on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Stock is listed or on NASDAQ. If there is no regular public trading market for such Stock, the Fair Market Value of the Stock shall be determined by the Committee in good faith.

(n) *Free-Standing SAR.* The term “Free-Standing SAR” shall have the meaning set forth in Section 3.1.

(o) *ISO*. The term “ISO” shall have the meaning set forth in Section 2.2.

(p) *Mature Shares*. The term “Mature Shares” shall mean shares of Stock that have been owned by the Participant in question for at least six months.

(q) *NQO*. The term “NQO” shall have the meaning set forth in Section 2.2.

(r) *Option*. The term “Option” shall have the meaning set forth in Section 2.2.

(s) *Plan*. The term “Plan” shall have the meaning set forth in Section 1.1.

(t) *Retirement*. The term “Retirement” shall mean retirement from active employment with Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future pursuant to any retirement plan or program of Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future in which the Participant participates. A Termination by a consultant or non-employee director shall in no event be considered a Retirement.

(u) *Stock*. The term “Stock” shall mean shares of Carolina Group stock, par value, $0.01 per share, of the Company.

(v) *Stock Appreciation Right*. The term “Stock Appreciation Right” shall have the meaning set forth in Section 3.1.

(w) *Subsidiary*. The term “Subsidiary” means any business or entity in which at any relevant time the Company holds at least a 50% equity (voting or non-voting) interest.

(x) *Tandem SAR*. The term “Tandem SAR” shall have the meaning set forth in Section 3.1.

(y) *Term*. The term “Term” shall mean the period beginning on the date of grant of an Option or Stock Appreciation Right and ending on the date the Option or Stock Appreciation Right expires pursuant to the Plan and the relevant Award Certificate.

(z) *Termination*. A Participant shall be considered to have experienced a Termination if he or she ceases, for any reason, to be an employee, consultant or non-employee director of Lorillard, Inc. or any of its subsidiaries or any company attributed to the Carolina Group in the future, including, without limitation, as a result of the fact that the entity by which he or she is employed or engaged or of which he or she is a director has ceased to be affiliated with Lorillard, Inc. or its subsidiaries or any company attributed to the Carolina Group in the future.

Exhibit 31.1

I, James S. Tisch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2007

By: /s/ James S. Tisch
JAMES S. TISCH
Chief Executive Officer

Exhibit 31.2

I, Peter W. Keegan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2007

By: /s/Peter W. Keegan
PETER W. KEEGAN
Chief Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer
of Loews Corporation pursuant to 18 U.S.C. Section 1350
(as adopted by Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350, the undersigned chief executive officer of Loews Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s quarterly report on Form 10-Q for the quarter ended March 31, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2007

By: /s/ James S. Tisch
JAMES S. TISCH
Chief Executive Officer

Exhibit 32.2

Certification by the Chief Financial Officer
of Loews Corporation pursuant to 18 U.S.C. Section 1350
(as adopted by Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350, the undersigned chief financial officer of Loews Corporation (the "Company") hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2007

By: /s/ Peter W. Keegan
PETER W. KEEGAN
Chief Financial Officer