==

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 1 TO FORM 10-K

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

For the Fiscal Year Ended December 31, 1999

OR

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

For the Transition Period From ------------ to -------------

Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

The registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the year ended December 31, 1999 as set forth in the pages attached hereto.

Part I: Item 1. Business.

(To correct Schedule of Property/Casualty Loss Reserve Development on Page 11)

==

PART I

Item 1. Business.

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: property, casualty and life insurance (CNA Financial Corporation, an 87% owned subsidiary); the production and sale of cigarettes (Lorillard, Inc., a wholly owned subsidiary); the operation of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 52% owned subsidiary); and the distribution and sale of watches and clocks (Bulova Corporation, a 97% owned subsidiary).

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

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained in Note 19 of the

Notes to Consolidated Financial Statements, included in Item 8.

CNA FINANCIAL CORPORATION

CNA Financial Corporation ("CNA") was incorporated in 1967 and is an insurance holding company whose primary subsidiaries consist of property/casualty and life insurance companies. Collectively, CNA and its subsidiaries are referred to as CNA. CNA's property/casualty insurance operations are conducted by Continental Casualty Company ("CCC"), incorporated in 1897, and its affiliates, and The Continental Insurance Company ("CIC"), organized in 1853, and its affiliates. Life insurance operations are conducted by Continental Assurance Company ("CAC"), incorporated in 1911, and its life insurance affiliates. CIC became an affiliate of CNA in 1995 as a result of the acquisition of The Continental Corporation ("Continental"). The principal business of Continental is the ownership of a group of property and casualty insurance companies. CNA serves businesses and individuals with a broad range of insurance and other risk management products and services. Insurance products include property and casualty coverages; life, accident and health insurance; and pension products and annuities. CNA services include risk management, information services, healthcare management and claims administration. CNA products are marketed through agents, brokers, managing general agents and direct sales. CNA's principal market is the United States. CNA accounted for 76.42%, 80.59% and 84.87% of the Company's consolidated total revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

CNA conducts its operations through the following operating segments: Property and Casualty Operations, Life Operations, Group Operations and Other insurance operations. Property and Casualty Operations are comprised of the following operating units: Agency Market Operations, Specialty Operations, CNA Re, Global Operations, and Risk Management. A more detailed description of each segment follows.

Property and Casualty Operations

Agency Market Operations

Agency Market Operations builds on CNA's long and successful relationship with the independent agency distribution system to market a broad range of property/casualty insurance products and services to both businesses and individuals. Business products include workers' compensation, commercial packages, general liability and commercial auto, as well as a variety of creative risk management services. Products for individuals were primarily personal auto and homeowners insurance. In addition, in 1997, Agency Market Operations launched a professional employer organization, CNA UniSource, which provides various employer-related services.

Agency Market Operations is comprised of the following four groups.

Commercial Insurance: Commercial Insurance ("CI") provides traditional property/casualty insurance products such as workers' compensation, general and product liability, property, commercial auto and umbrella coverage to businesses with less than $1 million in annual premiums. The majority of CI customers are small and medium-sized businesses. CI is among the market leaders in applying industry segmentation techniques to design products and services tailored to the needs of its targeted customer groups.

During 1998, CI completed an extensive review of its business and developed a new, more effective operating model, that management believes will position CI as a world class competitor for the new century. The basis for this model was to move decision-making authority and resources closer to CI's customers.

CI's focus during 1999 was the transition to this operating model. The model includes branches, located throughout the U.S., that provide customer support in the areas of underwriting, loss control, sales and claims, and a centralized processing center in Maitland, Florida that houses premium processing and accounting for all branches, and includes a call center for increased customer service. Eight claim service centers, located throughout the U.S., provide customers and claimants with improved service through more specialized claim handling and easier claim reporting.

The efficiencies resulting from these changes are expected to decrease expenses in underwriting and claims through the implementation of new technology, process redesign and centralization. In addition, CI recognizes that an even lower cost platform is necessary to be successful in the small commercial marketplace. During 2000, CI will be consolidating its underwriting for small commercial products with the existing centralized processing. Management expects that this centralization, along with the implementation of new technology, tools and processes, will allow CI to improve underwriting and further lower the cost model related to its small commercial business.

Personal Insurance: On October 1, 1999, certain CNA subsidiaries completed a previously announced transaction with The Allstate Corporation ("Allstate") involving the transfer of substantially all of CNA's personal lines insurance business. See Note 12 of the Notes to Consolidated Financial Statements included in Item 8 of this Report.

Personal Insurance sold primarily personal auto and homeowners coverages and also offered excess liability, separate scheduled property, boat-owners and other recreational vehicle insurance. These coverages were primarily sold in a package product.

CNA E&S: CNA E&S ("E&S") provides specialized insurance and other financial products for a wide array of commercial customers. Risks covered by E&S are generally viewed as high risk and less predictable in exposure than those covered by the more traditional insurers. By combining superior insurance and financial expertise with a detailed understanding of customer operations and future direction, E&S is able to create and implement innovative business solutions that are valued by the customer. In addition, E&S actively seeks business partners who can supplement CNA resources and enhance value for the customer.

CNA UniSource: CNA UniSource offers outsourcing services and other financial products that relieve businesses of many administrative tasks, allowing them more time to focus on their core objectives. CNA UniSource provides human resources ("HR") information technology, payroll and benefits processing and Professional Employer Organization ("PEO") services. CNA UniSource is also engaged in delivering Internet-based HR and payroll administrative services and is a leader in the implementation of HR information outsourcing for large-scale businesses. When it functions as a PEO, CNA UniSource establishes a co-employment relationship with its clients and contractually assumes substantial employer administrative responsibilities such as regulatory compliance and benefits administration. At December 31, 1999, CNA UniSource had 768 clients with over 30,000 co-employees and conducts business in 45 states and the District of Columbia via 30 geographically dispersed service offices and a state-of-the-art customer service call center. The number of co-employees grew 150 percent compared with 1998. The primary sales force is comprised of independent insurance agencies. Management expects significant growth in the number of clients and co-employees over the next several years.

Specialty Operations

Specialty Operations provides a broad array of professional, financial and specialty property/casualty products and services through a network of brokers, managing general agencies and independent agencies. Specialty Operations provides creative solutions for managing the risks of its clients, including architects, engineers, lawyers, healthcare professionals, financial intermediaries and corporate directors and officers.

Specialty Operations is composed of three principal groups.

CNA Pro: CNA Pro is one of the largest providers of non-medical professional liability insurance and risk

management services in the U.S. CNA Pro's customers include architects and engineers, lawyers, accountants and real estate agents and brokers, along with a broad range of large and small corporate clients and not-for-profit organizations. CNA Pro's products include errors and omissions, directors and officers, and employment practices liability coverages and a broad range of fidelity products. Products are distributed on a national basis through a variety of channels including brokers, agents and managing general agents.

CNA HealthPro: CNA HealthPro offers a comprehensive set of specialized insurance products and clinical risk management consulting services designed to assist healthcare providers in managing the quality-of-care risks associated with the delivery of healthcare. Key customer segments include individual, small group and large corporate purchasers of malpractice insurance. Caronia Corporation, acquired during 1997, provides third-party claims administration for medical professional liability insureds.

CNA Guaranty and Credit: CNA Guaranty and Credit provides credit insurance on short-term trade receivables for domestic and international clients and credit enhancement products that focus on asset backed transactions. Credit insurance is primarily distributed through captive agents with additional distribution through brokers and financial institutions. Credit enhancement products are distributed through specialty brokers and directly to customers.

Other Operations: Other operations consisted principally of Hedge Financial Products, which focused on securitization of insurance risk and the embedding of financial protections within traditional insurance programs, and agricultural and entertainment insurance business. During 1999 and 1998 CNA decided to exit Hedge Financial Products, and argiculture and entertainment insurance businesses, respectively.

CNA Re

CNA Re operates globally as a reinsurer in the broker market, offering both treaty and facultative products through major offices in London and Chicago. CNA Re's operations include the business of CNA Reinsurance Company Limited ("CNA Re U.K."), a U.K. company, and U.S. operations based in Chicago. While CNA Re's primary product is traditional treaty reinsurance, it is also developing positions in facultative and financial reinsurance. CNA Re also participates in Lloyd's of London through CNA Corporate Capital Ltd., which provides capital to Lloyd's Syndicate 1229.

CNA Re U.K. writes in both the London market and other European markets through its headquarters in London and offices in Amsterdam, Milan, Singapore and Zurich. As one of the largest reinsurers in this market, CNA Re U.K. has ratings of A (Strong) from Standard & Poor's, A (Excellent) from A.M. Best and A3 (Good) from Moody's. CNA Re U.K. writes U.S. and international treaty and professional liability business, including medical malpractice, errors and omissions, and directors and officers coverages.

The U.S. operations of CNA Re provide products to the North American markets. Treaty products include working layer property, working layer casualty, property catastrophe, workers' compensation, products liability, general liability, professional liability, specialty and excess and surplus lines. In addition, financial reinsurance products are offered as well as property and casualty facultative reinsurance.

Global Operations

Global Operations provides products and services to U.S.-based customers, customers expanding overseas and foreign customers. Product distribution is primarily through brokers and independent agents. The major product lines include marine, commercial and contract surety, warranty and specialty products, as well as commercial property and casualty.

Global Operations is composed of five principal groups.

Marine: On July 1, 1998, CNA completed the acquisition of Maritime Insurance Co., Ltd. ("Maritime Ltd."), based in the U.K., and its Canadian subsidiary, Eastern Marine Underwriters ("EMU"), strengthening CNA's position as a global marine insurer. In 1999, CNA launched the marketing brand, CNA Maritime, which unites three industry leaders to serve global ocean marine needs. Marine Office of America Corp. ("MOAC"), a leading provider of ocean marine insurance in the U.S., offers hull, cargo, primary and excess marine liability, offshore energy, marine claims and recovery products and services. Business is sold through national brokers, regional

marine specialty brokers and independent agencies, which work closely with MOAC's ten branch offices located throughout the U.S. Maritime Ltd. is a leading marine cargo and related marine insurance specialist with markets extending across Europe and throughout the world. EMU serves the Canadian market. As foreign subsidiaries, Maritime Ltd. and EMU are included in the results of, and are managed by, the International business unit. Growth is expected to result from leveraging the relationships with CNA's domestic producers, implementing e-commerce, and providing customers with services and products throughout the world.

Surety: On October 1, 1997, Global Operations completed the merger of CNA's surety operations with Capsure Holdings Corp.'s subsidiaries, Western Surety Company and Universal Surety of America to form CNA Surety Corporation ("CNA Surety"). CNA owns approximately 62% of CNA Surety.

CNA Surety, which is traded on the New York Stock Exchange (SUR), is the largest publicly traded provider of surety bonds, with approximately 9% of that market. Among its U.S. competitors, CNA Surety has the most extensive distribution system and one of the most diverse surety product lines, offering small, medium and large contract and commercial surety bonds. CNA Surety provides surety and fidelity bonds in all 50 states through a combined network of approximately 37,000 independent agencies. Growth is expected to come from CNA Surety's broad product and distribution resources and international expansion.

On March 20, 2000, CCC proposed to CNA Surety that CCC make a cash tender offer at $13.00 per share for all shares of CNA Surety common stock not already owned by CCC and its affiliates. CCC and its affiliates owned approximately 62 percent of the outstanding shares of CNA Surety common stock on March 20, 2000. CCC intends to condition the tender offer upon receiving enough shares so that its ownership reaches at least 90 percent. If this ownership threshold is achieved, CCC would then acquire the remaining outstanding shares of CNA Surety common stock not tendered to CCC through a statutory "short-form" merger process. Stockholders who do not tender their shares to CCC during the tender offer would also receive $13.00 per share in cash for their stock in the short-form merger.

Warranty: CNA's warranty operation ("Warranty") is the fourth largest warranty underwriter in the U.S., providing extended service contracts, warranties and related insurance products that protect the consumer or business from the financial burden associated with the breakdown, under-performance or maintenance of a product. Warranty's key market segments consist of vehicle, retail, home, commercial and original equipment manufacturer. Each market segment distributes its product via a sales force employed or contracted through a program administrator.

CNA National Warranty Corporation sells vehicle warranty services in the U.S. and Canada. In July 1998, Warranty expanded into the home warranty segment with the acquisition of a 90% interest in Home Security of America, Inc., one of the largest home warranty administrators in the U.S. Also, in January 1998 CNA acquired a joint venture interest in Specialty Underwriters, a provider of innovative equipment maintenance management services to companies worldwide. As these entities are not licensed insurance companies, they purchase coverages from various CNA affiliates to back the warranty products they sell. Warranty expects growth from cross marketing efforts with other CNA businesses, increasing product distribution via the CNA independent agency force and introducing several warranty products in the international marketplace.

International: International is responsible for coordinating and managing the direct business of the foreign property/casualty operations of CNA. This business identifies and capitalizes on strategic indigenous opportunities outside the U.S. by continuing to build its own capabilities and by initiating acquisitions, strategic alliances and start-up operations that allow for expansion into targeted markets. In addition, International provides U.S.-based customers that are expanding their operations overseas with a single source for their commercial insurance needs. To this end, International has placed underwriters within CI branches.

International currently oversees operations in Europe, Latin America, Canada and Asia. In Europe, CNA formed CNA Insurance Company (Europe) Limited ("CIE") in 1996, which is based in London. CIE has since opened offices in France, Germany and the Netherlands and has purchased a managing general agent in Denmark. Through its network of offices, International intends to build on the successes of several CNA specialty products (including travel and accident, warranty and financial lines insurance) and introduce those products across Europe. International also includes the results of U.K. based Maritime Ltd.

In Latin America, the Company acquired a 70% interest in Omega A.R.T. in 1997, a workers' compensation

company domiciled in Argentina. Omega ranks as the fourth largest workers' compensation company in Argentina based on premium volume.

CNA Canada, formed in 1998, sells a broad array of property/casualty and specialty insurance products through brokers and managing general agents. The results of EMU are also included in International.

The short to mid-term growth opportunities for International are in the more mature foreign insurance markets, such as Europe and Canada, and in specialty insurance products. In the longer term, emphasis will be on the emerging insurance markets in Latin America and Asia.

First Insurance Company Of Hawaii: First Insurance Company of Hawaii, Ltd. ("FICOH") is the oldest domestic insurer in the state of Hawaii, dating back to 1911. FICOH is also the largest commercial insurance company and the second largest property/casualty insurance company in the state. FICOH offers commercial and personal lines solely in the state of Hawaii. Distributed through independent agencies, the business mix has historically been approximately 65% commercial and 35% personal lines. On November 1, 1999, Tokio Marine & Fire Insurance Co. Ltd. ("Tokio") and CNA executed an agreement to increase Tokio's ownership share from 40% to 50%, resulting in equal ownership by CNA and Tokio. Additionally, on November 1, 1999, Tokio merged their Hawaii-based operations into FICOH. CNA retains control over FICOH's daily operations. CNA views this transaction as a positive step in the ongoing strategic relationship between CNA and Tokio.

CNA's partnership with Tokio is expected to generate growth opportunities and facilitate international expansion. Additionally, CNA foresees growth opportunities through collaborative partnerships between FICOH and other CNA businesses.

Risk Management

Risk Management ("RM") markets and sells insurance products and services to large U.S.-based companies. These customers have a minimum of $1 million or more in casualty claims each year. It is estimated that there are approximately 8,500 targeted companies within this market segment. RM is one of 11 significant competitors and has a very strong reputation and presence, particularly as a writer of casualty insurance lines.

RM includes two groups.

Risk Transfer: Risk Transfer writes property/casualty lines of insurance. The casualty insurance business focuses on workers' compensation, commercial auto liability, general liability through traditional and innovative financial risk products, and excess coverage needs. The excess products provide umbrella, excess workers' compensation and high excess coverages.

Over the last two years, domestic and global property capabilities have been increased, providing primary, inland marine and excess property facilities. Global property includes a strategic alliance with Protection Mutual to address the needs of the highly protected risk customer. Global property also includes Northrock Insurance Company Limited, a wholly owned subsidiary in Bermuda, offering property excess of loss insurance coverages.

RSKCo: Formed in 1998, RSKCo provides total risk management services (integrated and single component) related to claims, loss control, cost management and information services to the commercial insurance marketplace. RSKCo's capabilities include:

(a) Claim Services: Services that allow customers to select from a single source the desired level of service-from an integrated claims package to any component service.

(b) Loss Control: Pre-loss prevention services include industrial hygiene, laboratory, ergonomics, field consulting and training, property, environmental and transportation loss control. Driver training is provided through Smith System Driver Improvement Institute, Inc., a wholly owned subsidiary.

(c) Cost Management: Post-loss cost control services through case management, medical bill review, preferred provider organizations and other unique partnerships to reduce lost work days through rapid response, quality care and effective coordination.

(d) Information Services: These services include data access, reporting tools, information and benchmarking analysis, consulting and custom reporting services.

Group Operations

Group Operations provides a broad array of group life and health insurance products and services to employers, affinity groups and other entities that purchase insurance as a group. Its products and services are primarily distributed through brokers. In addition, Group Operations provides health insurance to federal employees, retirees and their families; managed care and self-funded medical excess insurance; medical provider network management and administration services; and reinsurance for life and health insurers.

Group Operations includes five principal groups.

Special Benefits: Special Benefits provides group term life insurance, short and long term disability, statutory disability, long term care and accident products. Products are marketed through a nationwide operation of 31 sales offices, third party administrators, managing general agents and insurance consultants.

Provider Markets: Provider Markets is comprised of two major businesses. CNA Health Partners provides comprehensive managed care services to employers offering self-funded medical plans and to healthcare provider networks, including provider organizations that manage capitated risks. Services offered include network development and management, medical management, medical claims administration, consulting services and management services. Group Reinsurance writes assumed reinsurance on health, life and other related products written on a group basis, as well as excess risk coverages related to health care.

Life Reinsurance: Life Reinsurance reinsures individual life and health products marketed by unaffiliated life insurance companies throughout North America. Sales are through an internal sales force.

Federal Markets: Federal Markets is the second largest provider of health insurance benefits to federal employees, and operates through the Mail Handlers Benefit Plan under the Federal Employees Health Benefit Plan. In addition to insuring approximately one million members, Federal Markets is responsible for all claim management activities under the plan, such as large case management, hospital and provider bill negotiations, fraud detection activities and vendor contracts.

Health Benefits: Health Benefits markets direct mail specialty products such as accidental death and dismemberment, term life and dental insurance to bank customers and federal employees.

Life Operations

Life Operations provides financial protection to individuals through a full product line of term life insurance, universal life insurance, long term care insurance, annuities and other products. Life Operations also provides retirement services products to institutions in the form of various investment products and administration services. Life Operations has several distribution relationships and partnerships including managing general agencies, other independent agencies working with CNA life sales offices, a network of brokers and dealers and various other independent insurance consultants.

On March 8, 2000, CNA announced that, consistent with its strategy to sharpen its focus on insurance products and services for businesses, it is exploring the sale of its individual life insurance and life reinsurance businesses and has engaged an investment banking firm to assist with the potential sale of the life operations.

Life Operations is composed of four principal groups.

Individual Life: Individual Life offers primarily level premium term life insurance, universal life insurance and related products. New sales of term life have placed CNA as first or close to first in the market in each of the last three years.

Retirement Services: Retirement Services markets annuities and investment products and services to both retail and institutional customers.

Long Term Care: Long Term Care products provide reimbursement for covered nursing home and home health care expenses incurred due to physical or mental disability.

Other Operations: Other Life Operations businesses include viatical settlements and developing operations in certain international markets.

Restructuring And Other Related Charges

On August 5, 1998, CNA announced estimates of the financial implications of its initiatives to achieve world-class performance. "World-class performance," as defined by CNA, refers to its intention to position each strategic business units as a market leader by sharpening its focus on customers and employing new technology to work smarter and faster. In the third quarter of 1998, CNA finalized and approved a plan to restructure its operations. The restructuring plan focused on a gross reduction in the then-current workforce of approximately 4,500 employees resulting in a net reduction of approximately 2,400 employees, the consolidation of certain processing centers, the closing of various facilities, and the exiting of certain businesses. The details of the restructuring and other related charges recognized in 1998 and 1999 are discussed in Note 13 to the Notes to Consolidated Financial Statements included in Item 8 of this Report. The initial expectation from management was that CNA's initiatives would result in a reduction of approximately 2 points in expense ratio due to savings of approximately $300 to $350 million on an annualized basis.

As of December 31, 1999, CNA had completed essentially all aspects of its restructuring plan. Management estimates CNA has achieved annualized run-rate expense savings of $381 million. "Annualized run-rate expense savings," as defined by CNA, refers to the difference between the normalized current expense ratio and a base-line expense ratio applied to a base-line measure of revenue, generally written premiums. Approximately $70 million of the annualized run-rate savings relate to the Personal Insurance business transferred to Allstate. See Note 12 of the Notes to Consolidated Financial Statements included in Item 8 of this Report for a discussion of the Personal Insurance transaction. The normalization of the current expense ratio involves adjusting the expense ratio, exclusive of restructuring and other related charges, for other expenses that are not expected to recur or persist in the restructured operating platform. Because many of the expenses to which these adjustments relate are included in the results of operations determined in accordance with generally accepted accounting principles, the annualized run-rate expense savings cannot be interpreted as the difference in expenses incurred in 1999 compared to 1998. Management expects that the effects of the restructured operating platform will be reflected in the 2000 results.

Other

Other insurance operations include corporate borrowings of CNA and related interest expense, certain run-off insurance operations, asbestos claims related to Fibreboard Corporation and financial guarantee insurance contracts.

Supplementary Insurance Data

The following table sets forth supplementary insurance data:

Year Ended December 31	1999	1998	1997
(In millions of dollars, except ratio information)			
Trade Ratios - GAAP basis (a):			
Loss ratio	87.1%	81.8%	77.1%
Expense ratio	32.4	33.6	31.3
Combined ratio (before policyholder dividends)	119.5	115.4	108.4
Policyholder dividend ratio	.3	1.1	.5
Trade Ratios - Statutory basis (a):			
Loss ratio	87.1%	81.5%	77.5%
Expense ratio	33.8	32.8	30.7
Combined ratio (before policyholder dividends)	120.9	114.3	108.2
Policyholder dividend ratio	.3	1.0	.8
Gross Life Insurance In-Force:			
Group	$394,743.0	$317,720.0	$239,843.0
Life (c)	75,247.0	76,674.0	71,755.0
	$469,990.0	$394,394.0	$311,598.0
Other Data-Statutory basis (b):			
Property/casualty capital and surplus (d)	$ 8,679.0	$ 7,623.0	$ 7,123.0
Life capital and surplus	1,222.0	1,109.0	1,223.0
Written premium to surplus ratio	1.1	1.4	1.4
Capital and surplus-percent of total liabilities	21.9%	20.5%	22.4%
Participating policyholders-percent of gross life insurance in force ...	.5%	.5%	.7%

- ----------------

(a) Trade ratios reflect the results of CNA's property/casualty insurance subsidiaries. Trade ratios are industry measures of property/casualty underwriting results. The loss ratio is the percentage of incurred claim and claim adjustment expenses to premiums earned. The expense ratio, using amounts determined in accordance with generally accepted accounting principles, is the percentage of underwriting expenses, including the amortization of deferred acquisition costs, to premiums earned. The expense ratio, using amounts determined in accordance with statutory accounting practices, is the percentage of underwriting expenses (with no deferral of acquisition costs) to premiums written. The combined ratio is the sum of the loss and expense ratios. The policyholder dividend ratio is the ratio of dividends incurred to premiums earned.

(b) Other data is determined in accordance with statutory accounting practices. Dividends of $570.0, $410.0 and $175.0 million were paid to CNA by CCC in 1999, 1998 and 1997, respectively. Insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses, unallocated loss adjustment expenses and investment expenses of $203.0, $189.0 and $217.0 million in 1999, 1998 and 1997, respectively. Life statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying the statutorily required Asset Valuation and Interest Maintenance Reserves as surplus.

(c) Lapse ratios for individual life insurance, as measured by surrenders and withdrawals as a percentage of average ordinary life insurance in force, were 10.9%, 14.7% and 6.4% in 1999, 1998 and 1997, respectively.

(d) Surplus includes equity of property/casualty companies' ownership in life insurance subsidiaries.

The following table displays the distribution of gross written premiums for CNA's property/casualty operations:

Year Ended December 31	1999	1998	1997
New York	8.2%	9.5%	9.9%
California	7.1	8.2	8.8
Texas	5.7	6.0	6.2
Florida	4.6	4.6	4.8
Pennsylvania	4.3	4.7	5.1
New Jersey	3.8	4.4	4.3
Illinois	3.8	4.5	4.4
All other states, countries or political subdivisions (a)	46.5	48.0	48.0
Reinsurance assumed	16.0	10.1	8.5
	100.0%	100.0%	100.0%

- ---------------

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

Approximately 97% of CNA's premiums are derived from the United States. Premiums from any individual foreign county are not significant.

Property/Casualty Claim and Claim Adjustment Expenses

The following loss reserve development table illustrates the change over time of reserves established for property/casualty claims and claim adjustment expenses at the end of the preceding eleven calendar years for CNA's property/casualty operations. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to the originally reported reserve liability. The third section, reading down, shows re-estimates of the originally recorded reserve as of the end of each successive year which is the result of CNA's property/casualty insurance subsidiaries' expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest re-estimated reserve to the reserve originally established, and indicates whether the original reserve was adequate or inadequate to cover the estimated costs of unsettled claims.

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

Schedule of Property/Casualty Loss Reserve Development

Year Ended December 31	1989 (a)	1990 (a)	1991 (a)	1992 (a)	1993 (a)	1994 (a)	1995 (b)	1996	1997 (c)	1998 (d)	1999 (e)
(In millions of dollars)											
Gross reserves for unpaid claim and claim expenses	-	-	-	-	20,812	21,639	31,044	29,357	28,533	28,317	26,631
Ceded recoverable	-	-	-	-	2,491	2,705	6,089	5,660	5,326	5,424	5,489
Net reserves for unpaid claim and claim expenses	11,267	13,090	14,415	17,167	18,321	18,934	24,955	23,697	23,207	22,893	21,142

Cumulative-net paid as of:											
One year later	2,670	3,285	3,411	3,706	3,629	3,656	6,510	5,851	5,954	7,321	-
Two years later	4,724	5,623	6,024	6,354	6,143	7,087	10,485	9,796	11,394	-	-
Three years later ...	6,294	7,490	7,946	8,121	8,764	9,195	13,363	13,602	-	-	-
Four years later	7,534	8,845	9,218	10,241	10,318	10,624	16,271	-	-	-	-
Five years later	8,485	9,726	10,950	11,461	11,378	12,577	-	-	-	-	-
Six years later	9,108	11,207	11,951	12,308	13,100	-	-	-	-	-	-
Seven years later ...	10,393	12,023	12,639	13,974	-	-	-	-	-	-	-
Eight years later ...	11,086	12,592	14,271	-	-	-	-	-	-	-	-
Nine years later	11,563	14,159	-	-	-	-	-	-	-	-	-
Ten years later	13,035	-	-	-	-	-	-	-	-	-	-
Net reserves re-estimated as of:											
End of initial year .	11,267	13,090	14,415	17,167	18,321	18,934	24,955	23,697	23,207	22,893	21,142
One year later	11,336	12,984	16,032	17,757	18,250	18,922	24,864	23,479	23,508	23,920	-
Two years later	11,371	14,693	16,810	17,728	18,125	18,500	24,294	23,140	23,717	-	-
Three years later ...	13,098	15,737	16,944	17,823	17,868	18,008	23,814	23,270	-	-	-
Four years later	14,118	15,977	17,376	17,765	17,511	17,354	24,092	-	-	-	-
Five years later	14,396	16,440	17,329	17,560	17,082	17,506	-	-	-	-	-
Six years later	14,811	16,430	17,293	17,285	17,176	-	-	-	-	-	-
Seven years later ...	14,810	16,551	17,069	17,398	-	-	-	-	-	-	-
Eight years later ...	14,995	16,487	17,189	-	-	-	-	-	-	-	-
Nine years later	14,973	16,592	-	-	-	-	-	-	-	-	-
Ten years later	15,091	-	-	-	-	-	-	-	-	-	-
Total net (deficiency) redundancy	(3,824)	(3,502)	(2,774)	(231)	1,145	1,428	863	427	(510)	(1,027)	-
Reconciliation to gross re-estimated reserves:											
Net reserves re-estimated	15,091	16,592	17,189	17,398	17,176	17,506	24,092	23,270	23,717	23,920	-
Re-estimated ceded recoverable	-	-	-	-	1,547	1,858	6,020	5,285	4,547	4,472	-
Total gross re-estimated reserves	15,091	16,592	17,189	17,398	18,723	19,364	30,112	28,555	28,264	28,392	-
Net (deficiency) redundancy related to:											
Asbestos claims	(3,496)	(3,365)	(3,321)	(1,633)	(1,033)	(999)	(811)	(910)	(806)	(560)	-
Environmental claims	(978)	(972)	(929)	(886)	(445)	(276)	(197)	(136)	(138)	84	-
Total asbestos and environmental	(4,474)	(4,337)	(4,250)	(2,519)	(1,478)	(1,275)	(1,008)	(1,046)	(944)	(476)	-
Other claims	650	835	1,476	2,288	2,623	2,703	1,871	1,473	434	(551)	-
Total net (deficiency) redundancy	(3,824)	(3,502)	(2,774)	(231)	1,145	1,428	863	427	(510)	(1,027)	-

- ----------------

(a) Reflects reserves of CNA's property and casualty insurance subsidiaries, excluding CIC reserves which were acquired on May 10, 1995. Accordingly, the reserve development (net reserves recorded at the end of the year, as initially estimated, less net reserves re-estimated as of subsequent years) does not include CIC.

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

(c) Includes net and gross reserves of acquired companies of $57 and $64 million, respectively.

(d) Includes net and gross reserves of acquired companies of $122 and $223 million, respectively.

(e) Ceded recoverable includes reserves transferred under retroactive reinsurance agreements of $784 million, as of December 31, 1999.

See Notes 1 and 7 of the Notes to Consolidated Financial Statements, included in Item 8, for information regarding property/casualty claim and claim adjustment expenses including reserve development for asbestos and environmental claims.

INVESTMENTS

See Note 2 of the Notes to Consolidated Financial Statements, included in

Item 8, for information regarding the investment portfolio.

Additional information as to the Company's investments is set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

OTHER

Competition: Due to market pressures, the insurance environment remains intensely competitive. CNA competes with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve its insurance products and services. There are approximately 3,400 individual companies that sell property/casualty insurance in the United States. CNA's consolidated property/casualty subsidiaries ranked as the fifth largest property/casualty insurance organization based upon 1998 statutory net written premium. There are approximately 1,500 companies selling life insurance in the United States. CAC is ranked as the thirty-fifth largest life insurance organization based on 1998 consolidated statutory premium volume.

Dividends by Insurance Subsidiaries: The payment of dividends to CNA by its insurance subsidiaries without prior approval of the affiliates' domiciliary state insurance commissioners is limited by formula. This formula varies by state. The formula used by the majority of states provides that the greater of 10% of prior year statutory surplus or prior year statutory net income, less the aggregate of all dividends paid during the twelve months prior to the date of payment is available to be paid as a dividend to the parent company. Some states, however, have an additional stipulation that dividends cannot exceed the prior year's surplus. Based upon the formulae applied by the respective domiciliary states of CNA's insurance subsidiaries, approximately $887.0 million in dividends can be paid to CNA by those subsidiaries in 2000 without prior approval. However, all dividends must be reported to the domiciliary insurance department prior to declaration and payment.

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

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

Reform of the U.S. tort liability system is another issue facing the insurance industry. Although federal standards would create more uniform laws, tort reform supporters still look primarily to the states for passage of reform measures. Over the last decade, many states have passed some type of reform, but more recently, a number of state courts have modified or overturned these reforms. Additionally, new causes of action and theories of damages continue to be proposed in state court actions or by legislatures. Continued unpredictability in the law means that insurance underwriting and rating is expected to be difficult in commercial lines, professional liability and some specialty coverages.

Although the federal government and its regulatory agencies do not directly regulate the business of insurance, federal legislative and regulatory initiatives can impact the insurance business in a variety of ways. These initiatives and legislation include tort reform proposals; proposals to overhaul the Superfund hazardous waste removal and liability statute; financial services modernization legislation, which includes provisions to remove barriers that prevent banks from engaging in the insurance business; and various tax proposals affecting insurance companies.

In the mid 1990's the National Association of Insurance Commissioners ("NAIC") adopted risk based capital ("RBC") requirements for both life insurance companies and property/casualty insurance companies. The requirements are to be utilized by state insurance departments as a minimum capital requirement identifying companies that merit further regulatory action. The formulae were not developed to differentiate adequately capitalized companies that operate with capital levels higher than the RBC requirements. Therefore, it is inappropriate and inadvisable to use the formulae to rate or rank insurers. At December 31, 1999 and 1998, all of CNA's life and property and casualty companies had adjusted capital in excess of amounts requiring any regulatory action.

Reinsurance: See Notes 1 and 17 of the Notes to Consolidated Financial Statements, included in Item 8, for information related to CNA's reinsurance activities.

Properties: CNA Plaza, owned by Continental Assurance Company, serves as the executive office for CNA and its insurance subsidiaries. An adjacent building (located at 55 E. Jackson Blvd.), jointly owned by Continental Casualty Company and Continental Assurance Company, is partially situated on grounds under leases expiring in 2058. Approximately 25% of the adjacent building is rented to non-affiliates. CNA leases office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to the principal office buildings owned or leased by CNA:

Location	Size (square feet)	Principal Usage
Owned:		
CNA Plaza 333 S. Wabash Chicago, Illinois	1,144,378	Principal Executive Offices of CNA
180 Maiden Lane New York, New York	1,115,100	Property/Casualty Insurance Offices
55 E. Jackson Blvd. Chicago, Illinois	440,292	Principal Executive Offices of CNA
401 Penn Street Reading, Pennsylvania	254,589	Leased to tenants
100 CNA Drive Nashville, Tennessee	251,363	Life Insurance Offices
1110 Ward Avenue Honolulu, Hawaii	186,687	Property/Casualty Insurance Offices
Leased:		
200 S. Wacker Drive Chicago, Illinois	265,727	Property/Casualty Insurance Offices
1111 E. Broad St. Columbus, Ohio	225,470	Property/Casualty Insurance Offices
40 Wall Street New York, New York	199,238	Property/Casualty Insurance Offices
3501 State Highway 66 Neptune, New Jersey	183,184	Property/Casualty Insurance Offices
2405 Lucien Way Maitland, Florida	178,744	Property/Casualty Insurance Offices
333 Glen Street Glens Falls, New York	164,032	Property/Casualty Insurance Offices
1100 Cornwall Road Monmouth Junction, New Jersey	147,884	Property/Casualty Insurance Offices
600 North Pearl Street Dallas, Texas	139,151	Property/Casualty Insurance Offices

LORILLARD, INC.

The Company's wholly owned subsidiary, Lorillard, Inc. ("Lorillard"), is engaged, through its subsidiaries, in the production and sale of cigarettes.

The principal cigarette brand names of Lorillard are Newport, Kent, True, Maverick and Old Gold. Lorillard's largest selling brand is Newport, which accounted for approximately 73% of Lorillard's sales in 1999.

Substantially all of Lorillard's sales are in the United States. Lorillard's major trademarks outside of the United States were sold in 1977. Lorillard accounted for 18.94%, 13.45% and 11.93% of the Company's consolidated total revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

For a number of years Lorillard and other cigarette manufacturers have been faced with a number of factors which adversely affect Lorillard's business, including: litigation against tobacco manufacturers by private plaintiffs, some of which have resulted in substantial jury verdicts, as well as litigation by governmental entities; enacted and proposed legislation and regulation intended to discourage and restrict smoking; a decline in the social acceptability of smoking; cigarette price increases related to the cost of certain litigation settlements; and increased pressure from anti-tobacco groups.

See Item 3 of this Report for information with respect to litigation against Lorillard including litigation seeking substantial compensatory and punitive damages for adverse health effects claimed to have resulted from the use of cigarettes and smokeless tobacco, and from exposure to tobacco smoke, and claims brought by cigarette wholesalers and others alleging violations of antitrust laws.

On November 23, 1998, Lorillard and other manufacturers of tobacco products entered into a Master Settlement Agreement (the "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 (collectively, the "Settling States") to settle the asserted and unasserted health care cost recovery and certain other claims of those states. Lorillard and the other major U.S. tobacco manufacturers had previously settled similar claims brought by the four other states (together with the MSA, the "State Settlement Agreements"). The State Settlement Agreements and certain ancillary agreements are included as exhibits to this Report (Exhibits 10.08 through 10.23) and are incorporated by reference thereto. See also Management's Discussion and Analysis - Results of Operations, "Settlement of State Reimbursement Litigation" included in Item 7.

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

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

From time to time, bills have been introduced in Congress, among other things, to end or limit the price supports for leaf tobacco; to prohibit all tobacco advertising and promotion; to require new health warnings on cigarette packages and advertising; to subject cigarettes generally to regulation under the Consumer Products Safety Act or the Food, Drug and Cosmetics Act; to authorize the establishment of various anti-smoking education programs;

to provide that current federal law should not be construed to relieve any person of liability under common or state law; to permit state and local governments to restrict the sale and distribution of cigarettes and the placement of billboard and transit advertising of tobacco products; to provide that cigarette advertising not be deductible as a business expense; to prohibit the mailing of unsolicited samples of cigarettes and otherwise to restrict the sale or distribution of cigarettes; to impose an additional excise tax on cigarettes; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing; and to subject cigarettes to regulation in various ways by the U.S. Department of Health and Human Services, including regulation by the FDA.

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

Food and Drug Administration Regulation of Tobacco Products - In 1996, the FDA published regulations (the "FDA Regulations") which would have severely restricted cigarette advertising and promotion and limited the manner in which tobacco products could be sold. In enacting the FDA Regulations, the FDA determined that nicotine is a drug and that cigarettes are a nicotine delivery system and, accordingly, subject to FDA regulatory authority as medical devices. The FDA premised its regulations on the need to reduce smoking by underage youth and young adults. The FDA Regulations included the following:

(i) Regulations regarding minimum sales age. These regulations would have made unlawful the sale of cigarettes to anyone under age 18. These regulations would have also required proof of age to be demanded from any person under age 27 who attempts to purchase cigarettes.

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

(iii) Regulations which would have prohibited use of cigarette brand names to sponsor sporting and cultural events and require cigarette manufacturers to comply with certain stringent FDA regulations (known as "good manufacturing practices") governing the manufacture and distribution of medical devices.

Lorillard and other cigarette manufacturers filed a lawsuit in the U.S. District Court in North Carolina challenging the FDA's assertion of jurisdiction over cigarettes. Lower court rulings in this litigation were appealed to the U.S. Supreme Court which, on March 21, 2000, held that Congress did not give the FDA authority to regulate tobacco products under the Federal Food, Drug and Cosmetic Act and, accordingly, the FDA's assertion of jurisdiction over tobacco products was impermissible under that Act. Since the Supreme Court decision, various proposals have been made for federal and state legislation to regulate cigarette manufacturers. The ultimate outcome of these proposals cannot be predicted.

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

In recent years, many federal, state, local and municipal governments and agencies, as well as private businesses, have adopted legislation or regulations which prohibit or restrict, or are intended to discourage, smoking, including

legislation or regulations prohibiting or restricting smoking in various places such as public buildings and facilities, stores and restaurants, on domestic airline flights and in the workplace, and the sale of cigarettes in vending machines. This trend has increased significantly since the release of the EPA Risk Assessment. Additional laws, regulations and policies intended to prohibit, restrict or discourage smoking are being proposed or considered by various federal, state and local governments, agencies and private businesses with increasing frequency. In July 1998, a federal judge struck down EPA's scientific risk assessment in an opinion which is currently on appeal.

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

In 1996, the cigarette and smokeless tobacco manufacturers filed suit in federal district court in Boston challenging the legislation. On December 10, 1997, the court issued a preliminary injunction, enjoining the required submission of ingredient data to the DPH. The requirement to submit the nicotine yield ratings and other information was not enjoined, and the cigarette and smokeless tobacco manufacturers submitted their data to the DPH on December 15, 1997 and again on December 1, 1998. The Commonwealth of Massachusetts appealed the district court's preliminary injunction, which was then upheld by the U.S. Court of Appeals for the First Circuit on November 6, 1998. The case in chief remains pending before the district court on cross motions for summary judgment.

Any impact on Lorillard from the legislation and its implementing regulations cannot now be predicted. If the manufacturers ultimately are required to disclose their trade secrets to the DPH and the DPH then discloses them to the public, further litigation seeking compensation for the taking of the manufacturers' property may ensue.

Other similar laws and regulations have been enacted or considered by other state governments, and could have a material adverse effect on the financial condition and results of operations of the Company if implemented without adequate provisions to protect the manufacturers' trade secrets from being disclosed.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Advertising and promotion activities by Lorillard and other major tobacco manufacturers have been severely restricted by the MSA and would have been further restricted by the regulations proposed by the FDA, discussed above. Pursuant to the MSA, Lorillard and the other major tobacco product manufacturers have agreed to various restrictions and limitations regarding the advertising, promotion and marketing of tobacco products in the Settling States. Among other things, the MSA prohibits the targeting of youth in the advertising, promotion or marketing of tobacco products; bans the use of cartoon characters in all tobacco advertising and promotion; limits each tobacco manufacturer to one tobacco brand name sponsorship during any twelve-month period, which may not include major team sports or events in which the intended audience includes a significant percentage of youth; bans all outdoor advertising of tobacco products with the exception of small signs at retail establishments that sell tobacco products; bans tobacco manufacturers from offering or selling non-tobacco apparel and other merchandise that bears a tobacco brand name, subject to specified exceptions; and prohibits the distribution of free samples of tobacco products except within an adult-only facility.

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

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

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

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

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have varied in the past. Those economic factors include federal government control of acreage and poundage in the flue-cured producing areas and poundage control for burley production. The price supports that accompany these production controls have substantially affected the market prices of tobacco. The approximate average auction prices per pound for flue-cured tobacco were $1.755 in 1998 and $1.736 in 1999. Burley prices per pound were approximately $1.903 in 1998 and $1.903 in 1999. The prices paid by Lorillard have generally been consistent with this trend. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has large quantities of leaf tobacco. See Note 1 of the Notes to Consolidated Financial Statements, included in Item 8, for inventory costing method.

Prices: On August 30, 1999 and January 17, 2000, Lorillard increased the wholesale price of its cigarettes by $9.00 and $6.50 per thousand cigarettes ($0.18 and $0.13 per pack of 20 cigarettes), respectively.

Taxes: Federal excise taxes included in the price of cigarettes are $17.00 per thousand cigarettes ($0.34 per pack of 20 cigarettes). The federal excise tax on cigarettes is scheduled to increase by $2.50 per thousand cigarettes in the year 2002. Excise taxes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. Various states have proposed, and certain states have recently passed, increases in their state tobacco excise taxes. The state taxes generally range from 2.5 cents to $1.11 per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of cigarettes. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition. Lorillard's manufacturing plant is located on approximately 79 acres in Greensboro, North Carolina. This 942,600 square foot plant contains modern high speed cigarette manufacturing machinery. A warehouse was added in early 1995 with shipping and receiving areas totaling 54,800 square feet. Lorillard also has facilities for receiving and storing leaf tobacco in Danville, Virginia, containing approximately 1,500,000 square feet. Lorillard's executive office is located in a 130,000 square-foot, four-story office building in Greensboro, North Carolina and a modern research facility containing approximately 82,000 square feet is also located in Greensboro. Lorillard also leases sales offices in major cities throughout the United States.

Competition: Substantially all of Lorillard's products are sold within the United States in highly competitive markets where its principal competitors are the four other major U.S. cigarette manufacturers (Philip Morris, R.J. Reynolds ("RJR"), Brown & Williamson and Liggett Group). According to Management Science Associates, the company used by the industry to process shipment data, in calendar year 1999 Lorillard ranked fourth in the industry with a 10.7% share of the market. Philip Morris and RJR accounted for approximately 50.8% and 23.6%, respectively, of the U.S. cigarette market.

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

Calendar Year	Industry (000)	Lorillard (000)	Lorillard to Industry
1999	409,496,000	43,608,000	10.7%
1998	455,212,000	42,111,000	9.3%
1997	477,701,000	41,831,000	8.8%

- ---------------
The Management Science Associates Report (the "Report") divides the cigarette market into two price segments, the full price segment and the discount or reduced price segment. According to the Report, the reduced price segment share of market decreased from approximately 26.2% in 1998 to 25.0% in 1999. Virtually all of Lorillard's sales are in the full price segment where Lorillard's share amounted to approximately 11.6% in 1999 and 11.0% in 1998, according to the Report.

LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation ("Loews Hotels"), a wholly owned subsidiary of the Company, presently operate the following 14 hotels. Loews Hotels accounted for 1.64%, 1.14% and 1.10% of the Company's consolidated total revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

Name and Location	Number of Rooms (Year Opened)	Owned, Leased or Managed
Loews Annapolis Annapolis, Maryland	217 (1986(1))	Owned
Loews Coronado Bay Resort San Diego, California	450 (1991(1))	Owned
Loews Giorgio Denver, Colorado	197 (1986(1))	Owned
House of Blues, a Loews Hotel Chicago, Illinois	367 (1998)	Management contract expiring 2005 (2)
Loews Le Concorde Quebec City, Canada	404 (1974(1))	Land lease expiring 2069
Loews L'Enfant Plaza Washington, D.C.	372 (1973)	Management contract expiring 2003 (2)
Loews Miami Beach Hotel Miami Beach, Florida	800 (1998)	Land lease expiring 2096
Loews New York New York, New York	765 (1961)	Owned
The Portofino Bay Hotel, at Universal Orlando, a Loews Hotel Orlando, Florida	750 (1999)	Management contract (3)
The Regency, a Loews Hotel New York, New York	496 (1963)	Land lease expiring 2013, with renewal option for 47 years
Loews Santa Monica Beach Santa Monica, California	350 (1989)	Management contract expiring 2018, with renewal option for 5 years(2)
Loews Vanderbilt Plaza Nashville, Tennessee	342 (1984(1))	Owned
Loews Ventana Canyon Resort Tucson, Arizona	398 (1984)	Management contract expiring 2004, with renewal options for 10 years(2)
Loews Hotel Vogue Montreal, Canada	154 (1990(1))	Owned

- -------------
(1) The Annapolis, Giorgio, Le Concorde, Vanderbilt Plaza, Vogue and Coronado Bay Hotels were acquired by Loews Hotels in 1990, 1989, 1987, 1989, 1995 and 2000, respectively.
(2) These management contracts are subject to termination rights.
(3) A Loews Hotels subsidiary is a 50% owner of the property through a joint venture, discussed below.

Recent Developments: In spring 2000, the 583 room Loews Philadelphia Hotel is scheduled to open, following its conversion from the landmark PSFS building. In January 2000, Loews Hotels purchased the Coronado Bay Resort hotel located in San Diego, California and the Days and Howard Johnson hotels located in New York City were sold in December 1999. Loews Hotels has entered into a letter of intent to form a joint venture to develop and operate a new 432 room hotel in Boston's theater district.

Hotels at Universal Orlando: A Loews Hotels subsidiary has a 50% interest in a joint venture with the owners of the Universal Orlando theme park in Orlando, Florida to develop and construct three hotels having an aggregate of approximately 2,400 rooms. The hotels will be constructed on land leased by the joint venture from the resort's owners and will be operated by Loews Hotels pursuant to a management contract. The first hotel, the Portofino Bay Hotel, opened in the fall of 1999. Construction has commenced on the second hotel, the Hard Rock Hotel, a 650 room hotel which is scheduled to open in December 2000. The third hotel, the 1,000 room Royal Pacific is scheduled to open in 2001.

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

The hotels owned by Loews Hotels are subject to mortgage indebtedness aggregating approximately $135.9 million at December 31, 1999 with interest rates ranging from 6.6% to 8.7% and maturing between 2000 and 2018. In addition, certain hotels are held under leases which are subject to formula derived rental increases, with rentals aggregating approximately $3.4 million for the year ended December 31, 1999.

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

DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Drilling Inc. ("Diamond Offshore"), is engaged, through its subsidiaries, in the business of owning and operating drilling rigs that are used primarily in the drilling of offshore oil and gas wells on a contract basis for companies engaged in exploration and production of hydrocarbons. Diamond Offshore operates 45 offshore rigs. Diamond Offshore accounted for 3.95%, 5.85% and 4.82% of the Company's consolidated total revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

Drilling Units and Equipment: Diamond Offshore currently owns and operates 45 mobile offshore drilling rigs (30 semisubmersible rigs, 14 jackup rigs and one drillship) and related equipment. Offshore rigs are mobile units that can be relocated via either self propulsion or the use of tugs enabling them to be repositioned based on market demand.

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

Jackup rigs stand on the ocean floor with their drilling platforms "jacked up" on support legs above the water. They are used extensively for drilling in water depths from 20 feet to 350 feet. Nine of Diamond Offshore's jackup rigs are cantilevered rigs capable of over platform development drilling and workover as well as exploratory drilling. Of Diamond Offshore's 14 jackup rigs, 12 are currently located in the Gulf of Mexico.

Diamond Offshore's drillship is self-propelled and designed to drill in deep water. Shaped like a conventional vessel, it is the most mobile of the major rig types. Diamond Offshore's drillship has dynamic-positioning capabilities and during 1999 replacement of the blow-out preventer control system and additional upgrades were completed. The drillship then mobilized to offshore

Brazil in late December 1999 and is currently operating under a three year contract.

Markets: Diamond Offshore's principal markets for its offshore contract drilling services are the Gulf of Mexico, Europe, including principally the U.K. sector of the North Sea, South America, Africa, and Australia/Southeast Asia. Diamond Offshore actively markets its rigs worldwide.

Diamond Offshore contracts to provide offshore drilling services vary in their terms and provisions. Diamond Offshore often obtains its contracts through competitive bidding, although it is not unusual for Diamond Offshore to be awarded drilling contracts without competitive bidding. Drilling contracts generally provide for a basic drilling rate on a fixed dayrate basis regardless of whether such drilling results in a productive well. Drilling contracts may also provide for lower rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather or water conditions or other conditions beyond the control of Diamond Offshore. Under dayrate contracts, Diamond Offshore generally pays the operating expenses of the rig, including wages and the cost of incidental supplies. Dayrate contracts have historically accounted for a substantial portion of Diamond Offshore's revenues. In addition, Diamond Offshore has worked some of its rigs under dayrate contracts pursuant to which the customer also agrees to pay Diamond Offshore an incentive bonus based upon performance.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well, a group of wells (a "well-to-well contract") or a stated term (a "term contract") and may be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for a specified period of time as a result of a breakdown of major equipment or, in some cases, due to other events beyond the control of either party. In addition, certain of Diamond Offshore's contracts permit the customer to terminate the contract early by giving notice and in some circumstances may require the payment of an early termination fee by the customer. The contract term in many instances may be extended by the customer exercising options for the drilling of additional wells at fixed or mutually agreed terms, including dayrates.

In January 2000, Diamond Offshore announced that it had been awarded a letter of intent for its fourth-generation semisubmersible, the Ocean Alliance, for a three-year term commitment with Petrobras in Brazil. The rig, currently working in West Africa, is scheduled to begin mobilization for the program in the third quarter of 2000, depending on the duration of its current commitments. The contract, which will commence in direct continuation of current obligations, is expected to generate revenues of approximately $131.0 million, with provisions for additional revenue if the rig is utilized in waters deeper than the primary contract obligation of 1,200 meters. Additionally, the commitment allows Diamond Offshore certain rights for participation in possible increases in the drilling market during the third year of the agreement.

In August 1999, a customer terminated a contract for use of one of Diamond Offshore's drilling rigs located offshore Australia. The termination was not the result of performance failures by Diamond Offshore or its equipment. Diamond Offshore believes the contract requires the customer to pay approximately $16.5 million in remaining revenue through the end of the contract period, which was previously scheduled to end in early January 2000. However, the customer believes that there is no further obligations under the contract and has refused to pay the $16.5 million early termination fee. Diamond Offshore filed suit in Australia in August 1999 requesting reconstruction of the contract and a declaratory judgment requiring the customer to pay such early termination fee.

The duration of offshore drilling contracts is generally determined by market demand and the respective management strategies of the offshore drilling contractor and its customers. In periods of rising demand for offshore rigs, contractors typically prefer well-to-well contracts that allow contractors to profit from increasing dayrates. In contrast, during these periods customers with reasonably definite drilling programs typically prefer longer term contracts to maintain dayrate prices at the lowest level possible. Conversely, in periods of decreasing

demand for offshore rigs, contractors generally prefer longer term contracts to preserve dayrates at existing levels and ensure utilization, while the customers prefer well-to-well contracts that allow them to obtain the benefit of lower dayrates. In general, Diamond Offshore seeks to have a foundation of long-term contracts with a reasonable balance of single well, well-to-well and short-term contracts to minimize the downside impact of a decline in the market while still participating in the benefit of increasing dayrates in a rising market.

Disposition of Assets: In January 2000, Diamond Offshore sold its jack-up drilling rig, the Ocean Scotian, for $32.0 million in cash resulting in an after-tax gain of $9.0 million. The rig had been cold stacked offshore Netherlands prior to the sale. Certain other assets, including drilling rigs, have been sold in previous years. These assets have generally been inactive or did not fit the overall strategic direction of Diamond Offshore. Although Diamond Offshore does not, as of the date hereof, have any commitment with respect to a material disposition of assets, it could enter into such an agreement in the future.

Customers: Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. Occasionally, several customers have accounted for 10.0% or more of Diamond Offshore's annual consolidated revenues, although the specific customers may vary from year to year. During 1999, Diamond Offshore performed services for approximately 40 different customers with Petrobras and Shell companies (including domestic and foreign affiliates) ("Shell") accounting for 15.5% and 14.5% of Diamond Offshore's annual total consolidated revenues, respectively. During 1998, Diamond Offshore performed services for approximately 40 different customers with Shell accounting for 17.4% of Diamond Offshore's annual total consolidated revenues. During 1997, Diamond Offshore performed services for approximately 50 different customers with Shell accounting for 14.3% of Diamond Offshore's annual total consolidated revenues. During periods of low demand for offshore drilling rigs, the loss of a single significant customer could have a material adverse effect on Diamond Offshore's result of operations.

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

In addition, rig construction and enhancement programs by offshore drilling contractors, which began in late 1997 and 1998, have resulted in an increase in the supply of technologically advanced rigs capable of drilling in deep water. This marginal oversupply of such equipment has, in turn, adversely affected the utilization level and average operating dayrates available for Diamond Offshore's rigs, particularly its higher specification semisubmersible units.

Governmental Regulation: Diamond offshore's operations are subject to numerous federal, state and local laws and regulations that relate directly or indirectly to its operations, including certain regulations controlling the discharge of materials into the environment, requiring removal and clean-up under certain circumstances, or otherwise relating to the protection of the environment. For example, Diamond Offshore may be liable for damages and costs incurred in connection with oil spills for which it is held responsible. Laws and regulations protecting the environment have become increasingly stringent in recent years and may in certain circumstances impose "strict liability" rendering a company liable for environmental damage without regard to negligence or fault on the part of such company. Liability under such laws and regulations may result from either governmental or citizen prosecution. Such laws and regulations may expose Diamond Offshore to liability for the conduct of or conditions caused by others, or for acts of Diamond Offshore that were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on Diamond Offshore.

The United States Oil Pollution Act of 1990 ("OPA '90") and similar legislation enacted in Texas, Louisiana and other coastal states addresses oil spill prevention and control and significantly expands liability exposure across all segments of the oil and gas industry. OPA '90, such similar legislation and related regulations impose a variety

of obligations on Diamond Offshore related to the prevention of oil spills and liability for damages resulting from such spills. OPA '90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs and a variety of public and private damages.

Indemnification and Insurance: Diamond Offshore's operations are subject to hazards inherent in the drilling of oil and gas wells such as blowouts, reservoir damage, loss of production, loss of well control, cratering or fires, the occurrence of which could result in the suspension of drilling operations, injury to or death of rig and other personnel and damage to or destruction of Diamond Offshore's, Diamond Offshore's customer's or a third party's property or equipment. Damage to the environment could also result from Diamond Offshore's operations, particularly through oil spillage or uncontrolled fires. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Diamond Offshore has insurance coverage and contractual indemnification for certain risks, but there can be no assurance that such coverage or indemnification will adequately cover Diamond Offshore's loss or liability in many circumstances or that Diamond Offshore will continue to carry such insurance or receive such indemnification.

Properties: Diamond Offshore owns an eight-story office building located in Houston, Texas containing approximately 182,000 net rentable square feet, which is used for its corporate headquarters. Diamond Offshore also owns an 18,000 square foot building and 20 acres of land in New Iberia, Louisiana for its offshore drilling warehouse and storage facility, and a 13,000 square foot building and five acres of land in Aberdeen, Scotland for its North Sea operations. In addition, Diamond Offshore leases various office, warehouse and storage facilities in Louisiana, West Africa, Australia, Brazil, Indonesia, Scotland, Singapore and Trinidad to support its offshore drilling operations.

BULOVA CORPORATION

Bulova Corporation ("Bulova") is engaged in the distribution and sale of watches, clocks and timepiece parts for consumer use. Bulova accounted for .65%, .63% and .64% of the Company's consolidated total revenue for the years ended December 31, 1999, 1998 and 1997, respectively.

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

Properties: Bulova owns an 80,000 square foot plant in Woodside, New York which is used for its principal executive and sales office, watch distribution, service and warehouse purposes, and also owns a 91,000 square foot plant in Brooklyn, New York for clock service and warehouse purposes. In addition, Bulova leases a 25,000 square foot plant in Toronto, Canada for watch and clock sales and service.

OTHER INTERESTS

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

For information with respect to agreements entered into by Majestic and Hellespont for the newbuilding of up to eight ships, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

EMPLOYEE RELATIONS

The Company, inclusive of its operating subsidiaries as described below, employed approximately 30,900 persons at December 31, 1999 and considers its employee relations to be satisfactory.

Lorillard employed approximately 3,300 persons at December 31, 1999. Approximately 1,300 of these employees are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed.

Lorillard has collective bargaining agreements covering hourly rated production and service employees at various Lorillard plants with the Tobacco

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

Loews Hotels employed approximately 2,700 persons at December 31, 1999, approximately 1,100 of whom are union members covered under collective bargaining agreements. Loews Hotels has experienced satisfactory labor relations and provides comprehensive benefit plans for its hourly paid employees.

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

CNA employed approximately 19,600 full-time equivalent employees at December 31, 1999 and has experienced satisfactory labor relations. CNA has never had work stoppages due to labor disputes. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees, including retirement plans, savings plans, disability programs, group life programs and group health care programs.

Diamond Offshore employed approximately 4,600 persons at December 31, 1999 (including international crews furnished through labor contractors), approximately 34 of whom are union members. Diamond Offshore has experienced satisfactory labor relations and provides comprehensive benefit plans for its employees.

Bulova and its subsidiaries employed approximately 450 persons at December 31, 1999, approximately 150 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

SIGNATURES

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

LOEWS CORPORATION

Dated: April 18, 2000 By /s/ Peter W. Keegan

(Peter W. Keegan, Senior Vice President and Chief Financial Officer)