



# CNA Financial Corporation Fourth Quarter 2023 Results

February 5, 2024



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# Fourth Quarter Overview

- Net income up 54% to \$367 million versus \$239 million in the prior year quarter; core income up 37% to a record \$362 million versus \$265 million in the prior year quarter.
- P&C core income of \$434 million versus \$342 million, reflects higher investment income and higher underwriting income.
- Life & Group core income of \$4 million versus core loss of \$25 million in the prior year quarter reflects higher investment income.
- Corporate & Other core loss of \$76 million versus core loss of \$52 million in the prior year quarter reflects a \$19 million after-tax charge related to office consolidation.
- Net investment income up 21% to \$611 million pretax, includes a \$58 million increase from limited partnerships and common stock to \$78 million and a \$50 million increase from fixed income securities and other investments to \$533 million.
- P&C combined ratio of 92.1%, compared with 93.7% in the prior year quarter, including 1.0 point of catastrophe loss impact compared with 3.6 points in the prior year quarter and 0.3 points of favorable prior period development impact compared with 1.1 points in the prior year quarter. P&C underlying combined ratio was 91.4%, compared with 91.2% in the prior year quarter. P&C underlying loss ratio was 59.9% and the expense ratio was 31.2%.
- P&C segments, excluding third party captives, generated gross written premium and net written premium growth of 10% in the quarter. P&C renewal premium change of +5%, with written rate of +4% and exposure change of +1%.

# Full Year Overview

- Net income up 77% to a record \$1,205 million versus \$682 million in the prior year; core income up 54% to a record \$1,284 million versus \$836 million in the prior year.
- P&C core income of \$1,505 million versus \$1,240 million, reflects higher investment income and record high underwriting income.
- Life & Group core loss of \$48 million versus \$221 million in the prior year reflects higher investment income and an unfavorable after-tax impact of \$143 million in the prior year as a result of the annual reserve reviews.
- Net investment income up 25% to \$2,264 million pretax, includes a \$233 million increase from limited partnerships and common stock to \$202 million and a \$226 million increase from fixed income securities and other investments to \$2,062 million.
- P&C combined ratio of 93.5%, compared with 93.2% in the prior year, including 2.6 points of catastrophe loss impact compared with 3.0 points in the prior year and no impact from prior period development compared with 1.0 point of favorability in the prior year. P&C underlying combined ratio was a record low 90.9% compared with 91.2% in the prior year. P&C underlying loss ratio was 59.9% and the expense ratio was 30.7%.
- P&C segments, excluding third party captives, generated gross written premium growth of 10% and net written premium growth of 9% in the year. P&C renewal premium change of +7%, with written rate of +5% and exposure change of 2%.

## Stockholders' Equity

- Book value per share of \$36.52; book value per share excluding AOCI of \$46.39, a 10% increase from year-end 2022 adjusting for \$2.88 of dividends per share.
- Increased quarterly dividend 5% to \$0.44 per share; special dividend of \$2.00 per share.

# Financial Performance

Record core income for the quarter and full year, and record net income for the full year

(In millions, except ratios and per share data)

	Fourth Quarter			Year to Date		
	2023	2022 <sup>2</sup>	Change	2023	2022 <sup>2</sup>	Change
Revenues	<b>\$3,507</b>	\$3,111	13 %	<b>\$13,299</b>	\$11,879	12 %
Core income <sup>1</sup>	<b>362</b>	265	37 %	<b>1,284</b>	836	54 %
Net income	<b>367</b>	239	54 %	<b>1,205</b>	682	77 %
Diluted earnings per common share:						
Core income	<b>\$1.33</b>	\$0.97	37 %	<b>\$4.71</b>	\$3.07	53 %
Net income	<b>1.35</b>	0.87	55 %	<b>4.43</b>	2.51	76 %
Core ROE	<b>11.6 %</b>	8.8 %	2.8 pts	<b>10.4 %</b>	6.8 %	3.6 pts

<sup>1</sup> Excluding the impact of the annual reserve reviews in the third quarter, core income was \$1,286 million and \$979 million for 2023 and 2022 year to date.

<sup>2</sup> As of January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI) using the modified retrospective method applied as of the transition date of January 1, 2021. Prior period amounts have been adjusted to reflect application of the new guidance.

# Property & Casualty Operations

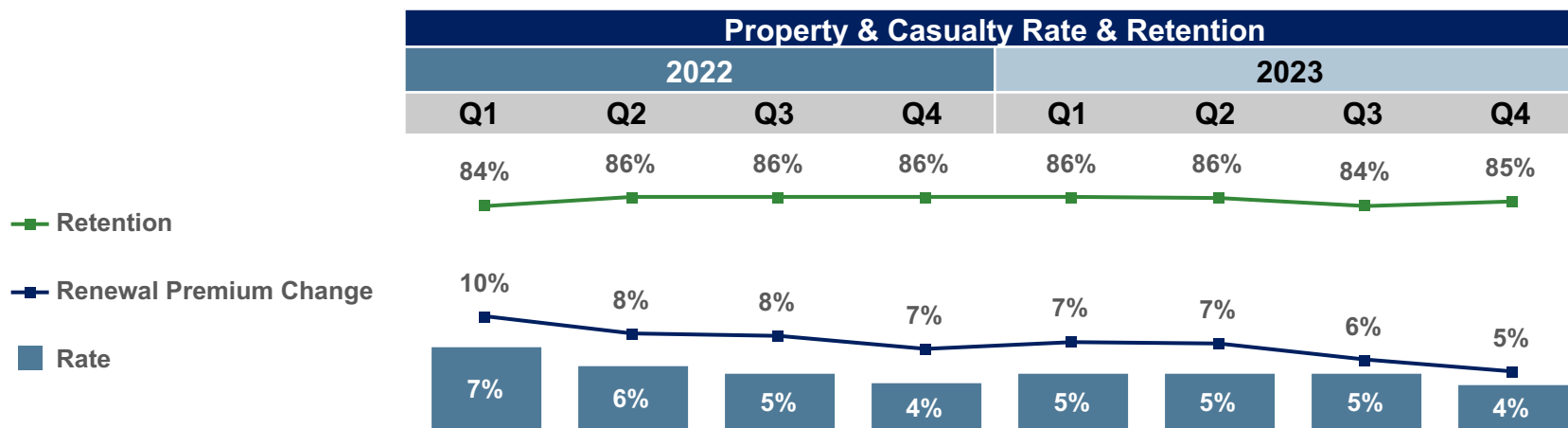
Record underwriting income for the full year and third consecutive year of double-digit GWP growth

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2023	2022	2023	2022
GWP ex. 3 <sup>rd</sup> party captives	<b>\$2,974</b>	\$2,704	<b>\$11,279</b>	\$10,264
<i>GWP change (% year over year)</i>	<b>10 %</b>		<b>10 %</b>	
Net written premium	<b>\$2,508</b>	\$2,284	<b>\$9,446</b>	\$8,663
<i>NWP change (% year over year)</i>	<b>10 %</b>		<b>9 %</b>	
Net earned premium	<b>\$2,368</b>	\$2,116	<b>\$9,030</b>	\$8,196
<i>NEP change (% year over year)</i>	<b>12 %</b>		<b>10 %</b>	
Underwriting gain	<b>\$186</b>	\$134	<b>\$585</b>	\$559
Loss ratio excl. catastrophes and development	<b>59.9 %</b>	59.9 %	<b>59.9 %</b>	60.0 %
Impact of catastrophes	<b>1.0 %</b>	3.6 %	<b>2.6 %</b>	3.0 %
Impact of development-related items	<b>(0.3)%</b>	(1.1)%	<b>— %</b>	(1.0)%
Loss ratio	<b>60.6 %</b>	62.4 %	<b>62.5 %</b>	62.0 %
Expense ratio	<b>31.2 %</b>	31.1 %	<b>30.7 %</b>	30.9 %
Combined ratio	<b>92.1 %</b>	93.7 %	<b>93.5 %</b>	93.2 %
Combined ratio excl. catastrophes and development	<b>91.4 %</b>	91.2 %	<b>90.9 %</b>	91.2 %

# Property & Casualty Production Metrics

Strong new business growth while continuing to manage rate/retention dynamic effectively



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>GWP ex. 3rd party captives (\$M)</b>	\$2,454	\$2,676	\$2,430	\$2,704	\$2,724	\$2,986	\$2,595	\$2,974
<b>New Business (\$M)</b>	\$451	\$500	\$455	\$470	\$503	\$555	\$475	\$547

Specialty	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Rate</b>	10%	7%	5%	3%	2%	(1)%	1%	—%
<b>Retention</b>	84%	85%	88%	88%	88%	89%	87%	89%
Commercial	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Rate</b>	5%	5%	4%	5%	7%	8%	8%	7%
<b>Retention</b>	87%	87%	86%	86%	86%	85%	83%	83%
International	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Rate</b>	9%	6%	6%	4%	4%	4%	2%	2%
<b>Retention</b>	73%	84%	83%	84%	83%	83%	84%	83%

# Specialty

Continued excellent all-in and underlying combined ratio

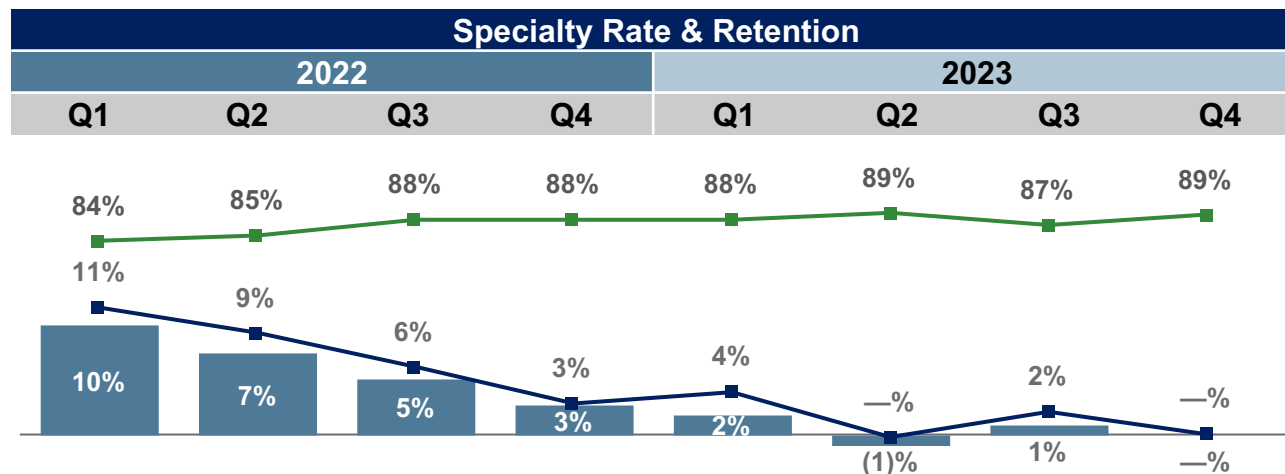
(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2023	2022	2023	2022
GWP ex. 3 <sup>rd</sup> party captives	<b>\$1,004</b>	\$998	<b>\$3,800</b>	\$3,814
<i>GWP change (% year over year)</i>	<b>1 %</b>		<b>— %</b>	
Net written premium	<b>\$891</b>	\$863	<b>\$3,329</b>	\$3,306
<i>NWP change (% year over year)</i>	<b>3 %</b>		<b>1 %</b>	
Net earned premium	<b>\$869</b>	\$827	<b>\$3,307</b>	\$3,203
<i>NEP change (% year over year)</i>	<b>5 %</b>		<b>3 %</b>	
Underwriting gain	<b>\$80</b>	\$93	<b>\$317</b>	\$366
Loss ratio excl. catastrophes and development	<b>58.6 %</b>	58.4 %	<b>58.5 %</b>	58.6 %
Impact of catastrophes	<b>— %</b>	— %	<b>— %</b>	0.1 %
Impact of development-related items	<b>(0.6)%</b>	(0.6)%	<b>(0.3)%</b>	(1.3)%
Loss ratio	<b>58.0 %</b>	57.8 %	<b>58.2 %</b>	57.4 %
Expense ratio	<b>32.5 %</b>	30.8 %	<b>32.0 %</b>	31.0 %
Combined ratio	<b>90.8 %</b>	88.8 %	<b>90.4 %</b>	88.6 %
Combined ratio excl. catastrophes and development	<b>91.4 %</b>	89.4 %	<b>90.7 %</b>	89.8 %



# Specialty Production Metrics

Targeting profitable new business and higher retentions after years of strengthening rate, terms & conditions



<b>GWP ex. 3rd party captives (\$M)</b>	<b>\$885</b>	<b>\$973</b>	<b>\$958</b>	<b>\$998</b>	<b>\$886</b>	<b>\$961</b>	<b>\$949</b>	<b>\$1,004</b>
<b>New Business (\$M)</b>	<b>\$145</b>	<b>\$132</b>	<b>\$130</b>	<b>\$141</b>	<b>\$108</b>	<b>\$120</b>	<b>\$121</b>	<b>\$132</b>

<b>FI &amp; Mgmt Liability</b>								
Rate	20%	10%	6%	—%	(3)%	(9)%	(4)%	(7)%
Retention	89%	90%	89%	88%	89%	91%	88%	91%
<b>Affinity Professional E&amp;O</b>								
Rate	2%	3%	3%	4%	3%	4%	3%	4%
Retention	90%	90%	91%	92%	88%	89%	89%	92%
<b>Medical Malpractice</b>								
Rate	9%	6%	7%	7%	6%	5%	7%	7%
Retention	71%	68%	82%	84%	84%	85%	84%	81%
<b>Surety</b>								
Net Written Premiums	\$149	\$162	\$153	\$130	\$178	\$170	\$157	\$136
<b>Warranty &amp; Alt. Risks</b>								
Revenues	\$437	\$444	\$451	\$454	\$460	\$460	\$460	\$448

# Commercial

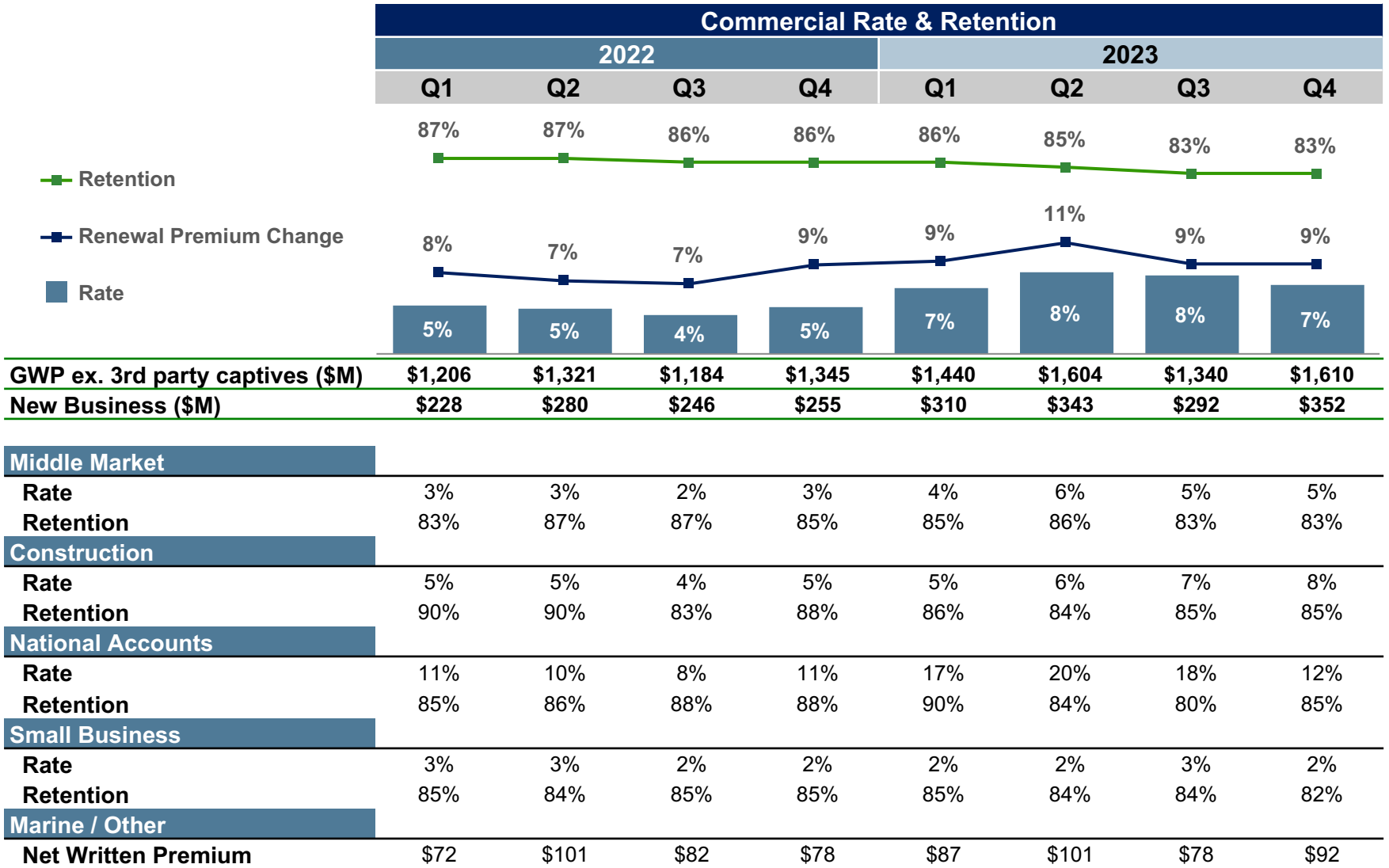
Record underwriting income for the quarter and full year with excellent growth

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2023	2022	2023	2022
GWP ex. 3 <sup>rd</sup> party captives	<b>\$1,610</b>	\$1,345	<b>\$5,994</b>	\$5,056
<i>GWP change (% year over year)</i>	<b>20 %</b>		<b>19 %</b>	
Net written premium	<b>\$1,292</b>	\$1,096	<b>\$4,880</b>	\$4,193
<i>NWP change (% year over year)</i>	<b>18 %</b>		<b>16 %</b>	
Net earned premium	<b>\$1,211</b>	\$1,022	<b>\$4,547</b>	\$3,923
<i>NEP change (% year over year)</i>	<b>18 %</b>		<b>16 %</b>	
Underwriting gain	<b>\$86</b>	\$12	<b>\$182</b>	\$106
Loss ratio excl. catastrophes and development	<b>61.5 %</b>	61.5 %	<b>61.5 %</b>	61.5 %
Impact of catastrophes	<b>1.4 %</b>	7.2 %	<b>4.5 %</b>	5.6 %
Impact of development-related items	<b>(0.1)%</b>	(0.9)%	<b>(0.1)%</b>	(0.7)%
Loss ratio	<b>62.8 %</b>	67.8 %	<b>65.9 %</b>	66.4 %
Expense ratio	<b>29.8 %</b>	30.8 %	<b>29.6 %</b>	30.4 %
Combined ratio	<b>92.9 %</b>	99.0 %	<b>96.0 %</b>	97.3 %
Combined ratio excl. catastrophes and development	<b>91.6 %</b>	92.7 %	<b>91.6 %</b>	92.4 %

# Commercial Production Metrics

New business growth of 38%, and continued strong rate and renewal premium change



# International

Consistently profitable results

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2023	2022	2023	2022
Gross written premium	<b>\$360</b>	\$361	<b>\$1,485</b>	\$1,394
<i>GWP change (% year over year)<sup>1</sup></i>	<b>— %</b>		<b>7 %</b>	
Net written premium	<b>\$325</b>	\$325	<b>\$1,237</b>	\$1,164
<i>NWP change (% year over year)<sup>1</sup></i>	<b>— %</b>		<b>6 %</b>	
Net earned premium	<b>\$288</b>	\$267	<b>\$1,176</b>	\$1,070
<i>NEP change (% year over year)</i>	<b>8 %</b>		<b>10 %</b>	
Underwriting gain	<b>\$20</b>	\$29	<b>\$86</b>	\$87
Loss ratio excl. catastrophes and development	<b>57.7 %</b>	58.1 %	<b>57.8 %</b>	58.5 %
Impact of catastrophes	<b>1.8 %</b>	0.9 %	<b>2.5 %</b>	2.2 %
Impact of development-related items	<b>(0.6)%</b>	(3.0)%	<b>1.1 %</b>	(1.2)%
Loss ratio	<b>58.9 %</b>	56.0 %	<b>61.4 %</b>	59.5 %
Expense ratio	<b>34.1 %</b>	32.9 %	<b>31.2 %</b>	32.3 %
Combined ratio	<b>93.0 %</b>	88.9 %	<b>92.6 %</b>	91.8 %
Combined ratio excl. catastrophes and development	<b>91.8 %</b>	91.0 %	<b>89.0 %</b>	90.8 %



<sup>1</sup> Excluding currency fluctuations, GWP and NWP both declined 3% for the fourth quarter and grew 8% and 7% for the year.

# Life & Group

Core income for the quarter reflects strong investment results

(In millions)

	Fourth Quarter		Year to Date	
	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Net earned premiums	\$111	\$117	\$451	\$473
Net investment income	237	204	896	804
Other revenues	(1)	(1)	(1)	(1)
<b>Total operating revenues</b>	<b>\$347</b>	<b>\$320</b>	<b>\$1,346</b>	<b>\$1,276</b>
Total claims, benefits and expenses	349	360	1,436	1,596
Income tax benefit	6	15	42	99
<b>Core income (loss)</b>	<b>\$4</b>	<b>(\$25)</b>	<b>(\$48)</b>	<b>(\$221)</b>

Year to date core loss includes an unfavorable after-tax impact of \$2 million in 2023 and \$143 million in 2022 as a result of the annual reserve reviews completed in the third quarter.

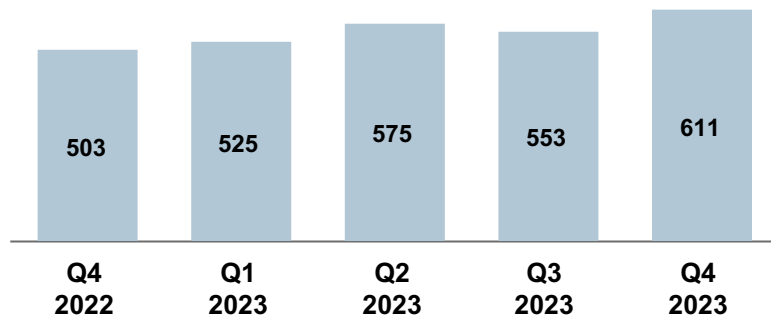
**CNA** <sup>1</sup> As of January 1, 2023, the Company adopted LDTI using the modified retrospective method applied as of the transition date of January 1, 2021. Prior period amounts have been adjusted to reflect application of the new guidance.

# Pretax Net Investment Income

Strong contributions from fixed income, limited partnership and common stock portfolios

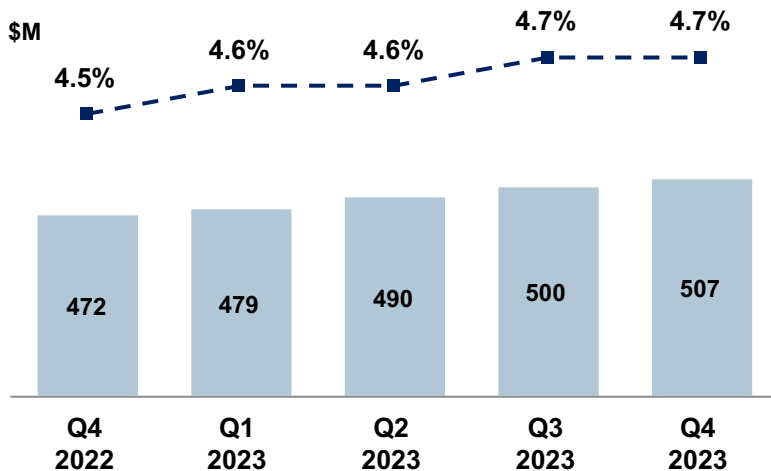
## Total CNAF

\$M



## Fixed Income Securities

\$M



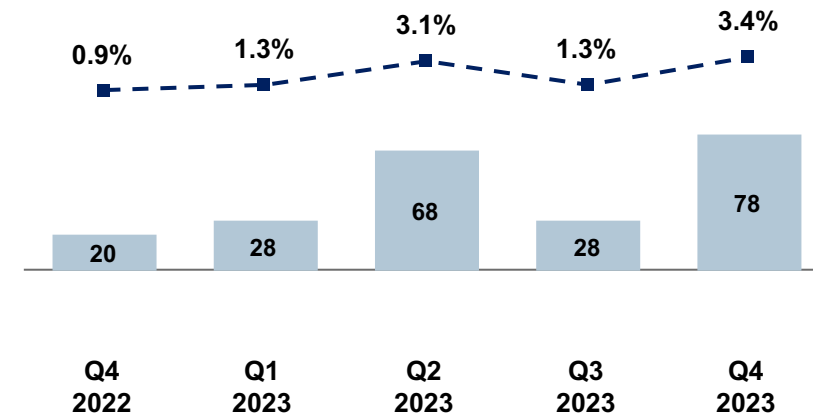
■ Fixed Income ■ Effective Yield (Pretax)

## Highlights

- Net investment income of \$611M is up 21% year-over-year
- The effective income yield on fixed income increased to 4.7% from 4.5% year-over-year, driven by the impact of higher reinvestment rates
- Strong limited partnership and common stock returns in the quarter, full year income of over \$200M, a 9.4% return

## Limited Partnership & Common Stock

\$M



■ Limited Partnership & Common Stock ■ Return (Pretax)



# Investment Portfolio

High quality, diversified and liquid investment portfolio

Fixed Maturities by Rating	% of Portfolio
AAA <sup>1</sup>	14%
AA	16%
A	24%
BBB	41%
<hr/>	
<b>Investment Grade</b>	<b>95%</b>
Below Investment Grade	5%
<hr/>	
<b>Total Fixed Maturities</b>	<b>100%</b>

Effective Portfolio Duration	
Life & Group	10.2 yrs
P&C and Corporate	4.5 yrs
<hr/>	
<b>Total</b>	<b>6.5 yrs</b>

## Highlights

- 88% of total invested assets are in fixed income securities
- High-quality portfolio with an average credit rating of “A”
- Liquidity supports underlying liability characteristics
- Net unrealized loss improved \$1.4B from prior year-end primarily driven by tightening credit spreads
- Commercial real estate exposure<sup>2</sup> primarily comprised of high quality, well diversified holdings in fixed income CMBS<sup>3</sup> and REITs<sup>4</sup> as well as direct mortgage loans



<sup>1</sup> AAA includes obligations of the U.S. Government, U.S. Government agencies and U.S. Government-sponsored enterprises.

<sup>2</sup> For additional detail refer to CNA's financial supplement made available in connection with this presentation.

<sup>3</sup> Commercial mortgage-backed securities

<sup>4</sup> Real estate investment trusts

# Financial Strength

Conservative capital and debt profile support business objectives

*(In millions, except per share data)*

	Dec 31, 2023	Dec 31, 2022 <sup>1</sup>
Debt	<b>\$3,031</b>	\$2,781
Stockholders' equity	<b>9,893</b>	8,548
Total capital	<b>\$12,924</b>	\$11,329
AOCI	<b>(2,672)</b>	(3,598)
Capital ex AOCI	<b>\$ 15,596</b>	\$ 14,927
BVPS ex AOCI	<b>\$46.39</b>	\$44.83
Dividends per share (YTD)	<b>\$2.88</b>	\$3.60
Debt-to-capital	<b>23.5%</b>	24.5%
Debt-to-capital ex AOCI	<b>19.4%</b>	18.6%
Statutory surplus	10,946	\$10,572
Holding company liquidity <sup>2</sup>	<b>\$1,262</b>	\$1,041

## Capital

- Financial strength ratings from all four rating agencies were affirmed in the past year with stable outlooks
- Statutory surplus remains very strong
- Adjusting for dividends, book value per share ex AOCI increased 10%

## Leverage

- Debt maturity schedule is termed out to effectively manage refinancing
- Issued \$500M in 2023, positioning for upcoming maturity of \$550M in May 2024
- Renewed \$250M credit facility in the quarter with all banks retained and substantially the same terms

## Liquidity

- Ample liquidity at both holding and operating company levels to meet obligations



<sup>1</sup> As of January 1, 2023, the Company adopted LDTI using the modified retrospective method applied as of the transition date of January 1, 2021. Prior period amounts have been adjusted to reflect application of the new guidance.

<sup>2</sup> Includes \$250 million available under credit facility