

CNA FINANCIAL CORP
Form 10-Q
May 03, 2011

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

FORM 10-Q
R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2011
OR
o 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 1-5823

CNA FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of
incorporation or organization)
333 S. Wabash
Chicago, Illinois
(Address of principal executive offices)
(312) 822-5000
(Registrant's telephone number, including area code)

36-6169860
(I.R.S. Employer
Identification No.)
60604
(Zip Code)

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

Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer R Non-accelerated filer o
(Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding at April 29, 2011
Common Stock, Par value \$2.50 269,319,444

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Operations (Unaudited)

Three months ended March 31 (In millions, except per share data)	2011	2010
Revenues		
Net earned premiums	\$1,615	\$1,615
Net investment income	620	590
Net realized investment gains, net of participating policyholders' interests:		
Other-than-temporary impairment losses	(20)	(90)
Portion of other-than-temporary impairments recognized in Other comprehensive income	(21)	30
Net other-than-temporary impairment losses recognized in earnings	(41)	(60)
Other net realized investment gains	54	94
Net realized investment gains, net of participating policyholders' interests	13	34
Other revenues	67	76
Total revenues	2,315	2,315
Claims, Benefits and Expenses		
Insurance claims and policyholders' benefits	1,364	1,308
Amortization of deferred acquisition costs	345	342
Other operating expenses	225	272
Interest	46	36
Total claims, benefits and expenses	1,980	1,958
Income from continuing operations before income tax	335	357
Income tax expense	(102)	(102)
Income from continuing operations	233	255
Income (loss) from discontinued operations, net of income tax (expense) benefit of \$0 and \$0	(1)	—
Net income	232	255
Net (income) loss attributable to noncontrolling interests	(9)	(10)
Net income attributable to CNA	\$223	\$245
Income Attributable to CNA Common Stockholders		
Income from continuing operations attributable to CNA	\$224	\$245
Dividends on 2008 Senior Preferred	—	(25)
Income from continuing operations attributable to CNA common stockholders	224	220
Income (loss) from discontinued operations attributable to CNA common stockholders	(1)	—
Income attributable to CNA common stockholders	\$223	\$220
Basic and Diluted Earnings Per Share Attributable to CNA Common Stockholders		
Income from continuing operations attributable to CNA common stockholders	\$0.83	\$0.82
Income (loss) from discontinued operations attributable to CNA common stockholders	—	—
Basic and diluted earnings per share attributable to CNA common stockholders	\$0.83	\$0.82
Weighted Average Outstanding Common Stock and Common Stock Equivalents		
Basic	269.2	269.1
Diluted	269.5	269.2

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

(Unaudited).

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CNA Financial Corporation

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Three months ended March 31

(In millions)

Other Comprehensive Income, Net of Tax

Changes in:

Net unrealized gains on investments with other-than-temporary impairments

Net unrealized gains on other investments

Net unrealized gains on investments

Net unrealized gains on discontinued operations and other

Foreign currency translation adjustment

Pension and postretirement benefits

Allocation to participating policyholders

Other comprehensive income, net of tax

Net income

Comprehensive income

Changes in:

Net unrealized (gains) losses on investments attributable to noncontrolling interests

Pension and postretirement benefits attributable to noncontrolling interests

Other comprehensive (income) loss attributable to noncontrolling interests

Net (income) loss attributable to noncontrolling interests

Comprehensive (income) loss attributable to noncontrolling interests

Total comprehensive income attributable to CNA

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

(Unaudited).

2011

2010

\$38

\$25

22

323

60

348

1

7

25

(10)

1

1

—

(23)

87

323

232

255

319

578

2

(6)

—

(3)

2

(9)

(9

) (10)

(7

) (19)

\$312

\$559

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CNA Financial Corporation

Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share data)	March 31, 2011	December 31, 2010
Assets		
Investments:		
Fixed maturity securities at fair value (amortized cost of \$36,960 and \$36,427)	\$38,204	\$37,577
Equity securities at fair value (cost of \$330 and \$422)	356	440
Limited partnership investments	2,460	2,309
Other invested assets	15	27
Mortgage loans	118	87
Short term investments	1,677	2,215
Total investments	42,830	42,655
Cash	81	77
Reinsurance receivables (less allowance for uncollectible receivables of \$125 and \$125)	6,956	7,079
Insurance receivables (less allowance for uncollectible receivables of \$155 and \$160)	1,609	1,557
Accrued investment income	469	425
Deferred acquisition costs	1,098	1,079
Deferred income taxes	547	667
Property and equipment at cost (less accumulated depreciation of \$555 and \$543)	316	333
Goodwill and other intangible assets	141	141
Other assets (includes \$140 and \$139 due from Loews Corporation)	1,047	868
Separate account business	449	450
Total assets	\$55,543	\$55,331
Liabilities and Equity		
Liabilities:		
Insurance reserves:		
Claim and claim adjustment expenses	\$25,352	\$25,496
Unearned premiums	3,321	3,203
Future policy benefits	8,842	8,718
Policyholders' funds	165	173
Participating policyholders' funds	62	60
Short term debt	—	400
Long term debt	2,647	2,251
Other liabilities	2,883	3,056
Separate account business	449	450
Total liabilities	43,721	43,807
Commitments and contingencies (Notes C, D, G, and I)		
Equity:		
Common stock (\$2.50 par value; 500,000,000 shares authorized; 273,040,243 shares issued; 269,296,610 and 269,139,198 shares outstanding)	683	683
Additional paid-in capital	2,198	2,200
Retained earnings	8,072	7,876
Accumulated other comprehensive income	415	326
Treasury stock (3,743,633 and 3,901,045 shares), at cost	(101)	(105)
Notes receivable for the issuance of common stock	(25)	(26)
Total CNA stockholders' equity	11,242	10,954
Noncontrolling interests	580	570
Total equity	11,822	11,524

Total liabilities and equity	\$55,543	\$55,331
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The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

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CNA Financial Corporation

Condensed Consolidated Statements of Cash Flows (Unaudited)

Three months ended March 31

2011

2010

(In millions)

Cash Flows from Operating Activities

Net income

\$232

\$255

Adjustments to reconcile net income to net cash flows provided by operating activities:

(Income) loss from discontinued operations

1

—

(Gain) loss on disposal of property and equipment

9

—

Deferred income tax expense

90

45

Trading portfolio activity

6

99

Net realized investment gains, net of participating policyholders' interests

(13

) (34

)

Equity method investees

(104

) 13

Amortization of investments

(21

) (33

)

Depreciation

19

21

Changes in:

Receivables, net

71

264

Accrued investment income

(44

) (41

)

Deferred acquisition costs

(19

) (1

)

Insurance reserves

45

(135

)

Other assets

(4

) (7

)

Other liabilities

(155

) (74

)

Other, net

1

(3

)

Total adjustments

(118

) 114

Net cash flows provided by operating activities-continuing operations

\$114

\$369

Net cash flows used by operating activities-discontinued operations

\$(2

) \$(5

)

Net cash flows provided by operating activities-total

\$112

\$364

Cash Flows from Investing Activities

Purchases of fixed maturity securities

\$(3,480

) \$(5,351

)

Proceeds from fixed maturity securities:

Sales

1,881

2,737

Maturities, calls and redemptions

965

846

Purchases of equity securities

(34

) (42

)

Proceeds from sales of equity securities

128

25

Origination of mortgage loans

(31

) —

Change in short term investments

548

1,474

Change in other investments

(43

) (51

)

Purchases of property and equipment

(11

) (12

)

Other, net

1

—

Net cash flows used by investing activities-continuing operations

\$(76

) \$(374

)

Net cash flows provided by investing activities-discontinued operations

\$2

\$5

Net cash flows used by investing activities-total

\$(74

) \$(369

)

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

(Unaudited).

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Three months ended March 31

(In millions)	2011	2010
Cash Flows from Financing Activities		
Dividends paid to common stockholders	\$(27)) \$—
Dividends paid to Loews Corporation for 2008 Senior Preferred	—	(25)
Proceeds from the issuance of debt	396	—
Repayment of debt	(409)) —
Stock options exercised	6	—
Other, net	(2)) (13)
Net cash flows used by financing activities-continuing operations	\$(36)) \$(38)
Net cash flows provided (used) by financing activities-discontinued operations	\$—	\$—
Net cash flows used by financing activities-total	\$(36)) \$(38)
Effect of foreign exchange rate changes on cash-continuing operations	2	(2)
Net change in cash	\$4) \$(45)
Cash, beginning of year	77	140
Cash, end of period	\$81	\$95
Cash-continuing operations	\$81	\$95
Cash-discontinued operations	—	—
Cash-total	\$81	\$95

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

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CNA Financial Corporation

Condensed Consolidated Statements of Equity (Unaudited)

Three months ended March 31	2011	2010	
(In millions)			
Preferred Stock			
Balance, beginning and end of period	\$—	\$1,000	
Common Stock			
Balance, beginning and end of period	683	683	
Additional Paid-in Capital			
Balance, beginning of period	2,200	2,177	
Stock-based compensation	(1) (1)
Other	(1) 22	
Balance, end of period	2,198	2,198	
Retained Earnings			
Balance, beginning of period	7,876	7,264	
Dividends paid to common stockholders	(27) —	
Dividends paid to Loews Corporation for 2008 Senior Preferred	—	(25)
Net income attributable to CNA	223	245	
Balance, end of period	8,072	7,484	
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of period	326	(325)
Other comprehensive income attributable to CNA	89	314	
Balance, end of period	415	(11)
Treasury Stock			
Balance, beginning of period	(105) (109)
Stock-based compensation and other	4	2	
Balance, end of period	(101) (107)
Notes Receivable for the Issuance of Common Stock			
Balance, beginning of period	(26) (30)
Decrease in notes receivable for the issuance of common stock	1	—	
Balance, end of period	(25) (30)
Total CNA Stockholders' Equity	11,242	11,217	
Noncontrolling Interests			
Balance, beginning of period	570	506	
Net income	9	10	
Other comprehensive income (loss)	(2) 9	
Other	3	(18)
Balance, end of period	580	507	
Total Equity	\$11,822	\$11,724	

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

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CNA Financial Corporation

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A. General

Basis of Presentation

The Condensed Consolidated Financial Statements (Unaudited) include the accounts of CNA Financial Corporation (CNAF) and its controlled subsidiaries. Collectively, CNAF and its controlled subsidiaries are referred to as CNA or the Company. CNA's property and casualty and remaining life and group insurance operations are primarily conducted by Continental Casualty Company (CCC), The Continental Insurance Company (CIC), Continental Assurance Company (CAC) and CNA Surety Corporation (CNA Surety). The Company owned approximately 61% of the outstanding common stock of CNA Surety as of March 31, 2011. Loews Corporation (Loews) owned approximately 90% of the outstanding common stock of CNAF as of March 31, 2011.

The accompanying Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Certain financial information that is normally included in annual financial statements, including certain financial statement notes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted. These statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in CNAF's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for the year ended December 31, 2010, including the summary of significant accounting policies in Note A. The preparation of Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

The interim financial data as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 is unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the Company's results for the interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Intercompany amounts have been eliminated.

Reinsurance Receivables

The Company has established an allowance for uncollectible reinsurance receivables which relates to both amounts already billed on ceded paid losses as well as ceded reserves that will be billed when losses are paid in the future. The allowance for uncollectible reinsurance receivables is estimated on the basis of periodic evaluations of balances due from reinsurers, reinsurer creditworthiness, management's experience and current economic conditions. Financial strength ratings are updated and reviewed on an annual basis or sooner if the Company becomes aware of significant changes related to a reinsurer. Because billed receivables are less than 5% of total reinsurance receivables the age of the reinsurance receivables related to paid losses is not a significant input into the allowance analysis. For the three months ended March 31, 2011, there was no significant change in the Company's allowance for uncollectible reinsurance receivables.

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Note B. Earnings Per Share

Earnings per share attributable to the Company's common stockholders is based on the weighted average number of outstanding common shares. Basic earnings per share excludes the impact of dilutive securities and is computed by dividing net income attributable to CNA by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the three months ended March 31, 2011 and 2010, approximately 272 thousand and 170 thousand potential shares attributable to exercises under stock-based employee compensation plans were included in the calculation of diluted earnings per share. For those same periods, approximately 1.0 million and 1.3 million potential shares attributable to exercises under stock-based employee compensation plans were not included in the calculation of diluted earnings per share because the effect would have been antidilutive.

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Note C. Investments

The significant components of net investment income are presented in the following table.

Net Investment Income

Three months ended March 31

(In millions)	2011	2010
Fixed maturity securities	\$506	\$510
Short term investments	2	6
Limited partnerships	114	72
Equity securities	6	10
Mortgage loans	2	—
Trading portfolio (a)	3	4
Other	2	2
Gross investment income	635	604
Investment expense	(15) (14
Net investment income	\$620	\$590

(a) There were no net unrealized gains (losses) related to changes in fair value of trading securities still held included in net investment income for the three months ended March 31, 2011 and March 31, 2010.

Net realized investment gains are presented in the following table.

Net Realized Investment Gains

Three months ended March 31

(In millions)	2011	2010
Net realized investment gains:		
Fixed maturity securities:		
Gross realized gains	\$88	\$98
Gross realized losses	(68) (71
Net realized investment gains on fixed maturity securities	20	27
Equity securities:		
Gross realized gains	5	4
Gross realized losses	(5) (1
Net realized investment gains (losses) on equity securities	—	3
Derivatives	(1) —
Short term investments and other (a) (b)	(6) 4
Net realized investment gains, net of participating policyholders' interests	\$13	\$34

(a) The three months ended March 31, 2011 includes a \$9 million loss related to the early extinguishment of \$400 million of senior notes originally due August 15, 2011.

(b) The three months ended March 31, 2011 includes net unrealized gains of \$1 million related to changes in fair value of securities for which the fair value option has been elected.

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The components of net other-than-temporary impairment (OTTI) losses recognized in earnings by asset type are summarized in the following table.

Three months ended March 31

(In millions)	2011	2010
Fixed maturity securities available-for-sale:		
Asset-backed:		
Residential mortgage-backed	\$28	\$26
Commercial mortgage-backed	—	2
Total asset-backed	28	28
States, municipalities and political subdivisions	—	14
Corporate and other bonds	9	18
Total fixed maturity securities available-for-sale	37	60
Equity securities available-for-sale:		
Common stock	3	—
Preferred stock	1	—
Total equity securities available-for-sale	4	—
Net OTTI losses recognized in earnings	\$41	\$60

A security is impaired if the fair value of the security is less than its cost adjusted for accretion, amortization and previously recorded OTTI losses, otherwise defined as an unrealized loss. When a security is impaired, the impairment is evaluated to determine whether it is temporary or other-than-temporary.

Significant judgment is required in the determination of whether an OTTI loss has occurred for a security. The Company follows a consistent and systematic process for determining and recording an OTTI loss. The Company has established a committee responsible for the OTTI process. This committee, referred to as the Impairment Committee, is made up of three officers appointed by the Company's Chief Financial Officer. The Impairment Committee is responsible for evaluating all securities in an unrealized loss position on at least a quarterly basis.

The Impairment Committee's assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that the Company intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include (a) the financial condition and near term prospects of the issuer, (b) whether the debtor is current on interest and principal payments, (c) credit ratings of the securities and (d) general market conditions and industry or sector specific outlook. The Company also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities. The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

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The Company performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. For asset-backed securities, significant assumptions enter into these cash flow projections including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers, credit support from lower level tranches and impacts of rating agency downgrades.

The Company applies the same impairment model as described above for the majority of non-redeemable preferred stock securities on the basis that these securities possess characteristics similar to debt securities and that the issuers maintain their ability to pay dividends. For all other equity securities, in determining whether the security is other-than-temporarily impaired, the Impairment Committee considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than amortized cost, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for an anticipated recovery in value and (d) general market conditions and industry or sector specific outlook.

The following tables provide a summary of fixed maturity and equity securities.

Summary of Fixed Maturity and Equity Securities

March 31, 2011

(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities available-for-sale:					
U.S. Treasury and obligations of government agencies	\$120	\$14	\$—	\$134	\$—
Asset-backed:					
Residential mortgage-backed	6,193	91	209	6,075	60
Commercial mortgage-backed	1,078	60	28	1,110	(6)
Other asset-backed	886	17	7	896	—
Total asset-backed	8,157	168	244	8,081	54
States, municipalities and political subdivisions	8,552	176	400	8,328	—
Foreign government	631	15	1	645	—
Corporate and other bonds	19,442	1,562	50	20,954	—
Redeemable preferred stock	48	5	1	52	—
Total fixed maturity securities available-for-sale	36,950	1,940	696	38,194	\$54
Total fixed maturity securities trading	10	—	—	10	
Equity securities available-for-sale:					
Common stock	101	25	1	125	
Preferred stock	229	4	2	231	
Total equity securities available-for-sale	330	29	3	356	
Total	\$37,290	\$1,969	\$699	\$38,560	

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Summary of Fixed Maturity and Equity Securities

December 31, 2010

(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities available-for-sale:					
U.S. Treasury and obligations of government agencies	\$122	\$16	\$1	\$137	\$—
Asset-backed:					
Residential mortgage-backed	6,254	101	265	6,090	114
Commercial mortgage-backed	994	40	41	993	(2)
Other asset-backed	753	18	8	763	—
Total asset-backed	8,001	159	314	7,846	112
States, municipalities and political subdivisions	8,157	142	410	7,889	—
Foreign government	602	18	—	620	—
Corporate and other bonds	19,492	1,603	70	21,025	—
Redeemable preferred stock	47	7	—	54	—
Total fixed maturity securities available-for-sale	36,421	1,945	795	37,571	\$112
Total fixed maturity securities trading	6	—	—	6	
Equity securities available-for-sale:					
Common stock	90	25	—	115	
Preferred stock	332	2	9	325	
Total equity securities available-for-sale	422	27	9	440	
Total	\$36,849	\$1,972	\$804	\$38,017	

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The following tables summarize the estimated fair value and gross unrealized losses of available-for-sale fixed maturity and equity securities in a gross unrealized loss position by the length of time in which the securities have continuously been in that position.

Securities in a Gross Unrealized Loss Position

March 31, 2011 (In millions)	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Fixed maturity securities available-for-sale:						
Asset-backed:						
Residential mortgage-backed	\$2,167	\$73	\$1,442	\$136	\$3,609	\$209
Commercial mortgage-backed	270	6	263	22	533	28
Other asset-backed	140	—	61	7	201	7
Total asset-backed	2,577	79	1,766	165	4,343	244
States, municipalities and political subdivisions	2,861	160	624	240	3,485	400
Foreign government	110	1	18	—	128	1
Corporate and other bonds	1,920	28	335	22	2,255	50
Redeemable preferred stock	—	—	5	1	5	1
Total fixed maturity securities available-for-sale	7,468	268	2,748	428	10,216	696
Equity securities available-for-sale:						
Common stock	8	1	—	—	8	1
Preferred stock	76	1	19	1	95	2
Total equity securities available-for-sale	84	2	19	1	103	3
Total	\$7,552	\$270	\$2,767	\$429	\$10,319	\$699

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Securities in a Gross Unrealized Loss Position

December 31, 2010 (In millions)	Less than 12 Months		Greater than 12 Months		Total	Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	
Fixed maturity securities available-for-sale:						
U.S. Treasury and obligations of government agencies	\$8	\$1	\$—	\$—	\$8	\$1
Asset-backed:						
Residential mortgage-backed	1,800	52	1,801	213	3,601	265
Commercial mortgage-backed	164	3	333	38	497	41
Other asset-backed	122	1	60	7	182	8
Total asset-backed	2,086	56	2,194	258	4,280	314
States, municipalities and political subdivisions	3,339	164	745	246	4,084	410
Corporate and other bonds	1,719	34	405	36	2,124	70
Total fixed maturity securities available-for-sale	7,152	255	3,344	540	10,496	795
Equity securities available-for-sale:						
Preferred stock	175					