LOEWS CORP
Form 10-K
February 24, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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, 2013

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. 10065-8087

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Loews Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___X___ No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes _____ No ___X___

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

Yes ___X___ No _____

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

Yes ___X___ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X].

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. (Check one):

Large accelerated filer _X_ Accelerated filer ____ Non-accelerated filer ____ Smaller reporting company ____

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

Yes _____ No ___X___

The aggregate market value of voting and non-voting common equity held by non-affiliates as of the last business day of the registrant s most recently completed second fiscal quarter was approximately $13,578,000,000.

As of February 14, 2014, there were 387,403,380 shares of Loews common stock outstanding.

Documents Incorporated by Reference:

Portions of the Registrant s definitive proxy statement intended to be filed by Registrant with the Commission prior to April 30, 2014 are incorporated by reference into Part III of this Report.

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON

FORM 10-K FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 2013

Certain information called for by Part III (Items 10, 11, 12, 13 and 14) has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

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PART I

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

Item 1. Business.

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

- commercial property and casualty insurance (CNA Financial Corporation, a 90% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 50.4% owned subsidiary);
- transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP, a 53% owned subsidiary);
- exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC, a wholly owned subsidiary); and
- operation of a chain of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary).

Please read information relating to our major business segments from which we derive revenue and income contained in Note 21 of the Notes to Consolidated Financial Statements, included under Item 8.

CNA FINANCIAL CORPORATION

CNA Financial Corporation (together with its subsidiaries, CNA) was incorporated in 1967 and is an insurance holding company. CNA s property and casualty and remaining life & group insurance operations are primarily conducted by Continental Casualty Company (CCC), incorporated in 1897, and The Continental Insurance Company (CIC), organized in 1853, and certain other affiliates. CIC became a subsidiary of CNA in 1995 as a result of the acquisition of The Continental Corporation (Continental). CNA accounted for 67.2%, 65.6% and 63.4% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

CNA s insurance products primarily include commercial property and casualty coverages, including surety. CNA s services include risk management, information services, warranty and claims administration. CNA s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

CNA s property and casualty field structure consists of 49 underwriting locations across the United States. In addition, there are five centralized processing operations which handle policy processing, billing and collection activities, and also act as call centers to optimize service. The claims structure consists of two regional claim centers designed to efficiently handle the high volume of low severity claims including property damage, liability, and workers

compensation medical only claims, and 16 principal claim offices handling the more complex claims. In addition, CNA has underwriting and claim capabilities in Canada and Europe.

CNA Specialty

CNA Specialty includes the following business groups:

Management & Professional Liability: Management & Professional Liability provides management and professional liability insurance and risk management services and other specialized property and casualty coverages in the United States. This group provides professional liability coverages to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and other professional firms. Management & Professional Liability also provides directors and officers (D&O), employment practices, fiduciary and fidelity coverages. Specific areas of focus include small and mid-size firms, public as well as privately

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held firms and not-for-profit organizations, where tailored products for these client segments are offered. Products within Management & Professional Liability are distributed through brokers, independent agents and managing general underwriters. Management & Professional Liability, through CNA HealthPro, also offers insurance products to serve the health care industry. Products include professional and general liability as well as associated standard property and casualty coverages, and are distributed on a national basis through brokers, independent agents and managing general underwriters. Key customer segments include aging services, allied medical facilities, life sciences, dentists, doctors, hospitals, and nurses and other medical practitioners.

International: International provides similar management and professional liability insurance and other specialized property and casualty coverages, through similar distribution channels, in Canada and Europe.

Surety: Surety offers small, medium and large contract and commercial surety bonds. CNA Surety provides surety and fidelity bonds in all 50 states through a network of independent agencies. On June 10, 2011, CNA completed the acquisition of the noncontrolling interests of CNA Surety.

Warranty and Alternative Risks: Warranty and Alternative Risks provides extended service contracts and related products that provide protection from the financial burden associated with mechanical breakdown and other related losses, primarily for vehicles and portable electronic communication devices.

CNA Commercial

CNA Commercial s property products include standard and excess property coverages, as well as marine coverage, and boiler and machinery. Casualty products include standard casualty insurance products such as workers compensation, general and product liability, commercial auto and umbrella coverages. Most insurance programs are provided on a guaranteed cost basis; however, CNA also offers specialized loss-sensitive insurance programs to those customers viewed as higher risk and less predictable in exposure.

These property and casualty products are offered as part of CNA s *Small Business, Commercial* and *International* insurance groups. CNA s Small Business insurance group serves its smaller commercial accounts and the Commercial insurance group serves CNA s middle markets and its larger risks. In addition, CNA Commercial provides total risk management services relating to claim and information services to the large commercial insurance marketplace, through a wholly owned subsidiary, CNA ClaimPlus, Inc., a third party administrator. CNA also provides specialized insurance to customers who are generally viewed as higher risk and less predictable in exposure than those covered by standard insurance markets. The International insurance group primarily consists of the commercial product lines of CNA s operations in Europe and Canada. During the fourth quarter of 2011, CNA sold its 50% ownership interest in First Insurance Company of Hawaii (FICOH).

Hardy

Hardy Underwriting Bermuda Limited (Hardy) is a specialized Lloyd s of London (Lloyd s) underwriter. Through Lloyd s Syndicate 382, Hardy underwrites primarily short-tail exposures in the following coverages: *Marine & Aviation* provides coverage for a variety of large risks including energy, cargo and specie, marine hull and general aviation. *Non-Marine Property* comprises direct and facultative property, including construction insurance of industrial and commercial risks (heavy industry, general manufacturing and commercial property portfolios), together with residential and small commercial risks. *Property Treaty Reinsurance* offers catastrophe reinsurance on an excess of loss basis, proportional treaty and excess of loss coverages and crop reinsurance. *Specialty Lines* offers coverage for a variety of risks including political violence, accident and health and financial institutions.

Life & Group Non-Core

Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. CNA continues to service its existing individual long term care commitments, its payout annuity business and its pension deposit business. CNA also retains a block of group reinsurance and life settlement contracts. These businesses are being managed as a run-off operation. CNA s group long term care business, while considered non-core, continues to accept new employees in existing groups.

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Other

Other primarily includes certain CNA corporate expenses, including interest on CNA corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution (A&EP).

Direct Written Premiums by Geographic Concentration

Set forth below is the distribution of CNA s direct written premiums by geographic concentration.

Year Ended December 31	2013	2012	2011
California	**9.2%**	9.5%	9.4%
Texas	**8.0**	7.4	6.7
New York	**7.3**	7.1	6.7
Illinois	**5.9**	6.5	4.9
Florida	**5.9**	5.8	6.1
New Jersey	**3.7**	3.5	3.5
Pennsylvania	**3.7**	3.4	3.4
Canada	**3.1**	3.0	3.0
All other states, countries or political subdivisions	**53.2**	53.8	56.3
	100.0%	100.0%	100.0%

Approximately 8.9%, 9.2% and 8.8% of CNA s direct written premiums were derived from outside of the United States for the years ended December 31, 2013, 2012 and 2011.

Property and Casualty Claim and Claim Adjustment Expenses

The following loss reserve development table illustrates the change over time of reserves established for property and casualty claim and claim adjustment expenses at the end of the preceding ten calendar years for CNA s property and casualty insurance companies. The table excludes CNA s life insurance subsidiaries, and as such, the carried reserves will not agree to the Consolidated Financial Statements included under Item 8. 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 reserves as of the end of each successive year, which is the result of CNA s property and casualty insurance subsidiaries expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest re-estimated reserves to the reserves originally established, and indicates whether the original reserves were adequate or inadequate to cover the estimated costs of unsettled claims.

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The loss reserve development table 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 Loss Reserve Development

ar Ended cember 31	2003	2004	2005	2006	2007	2008	2009	2010(a)	2011	2012(b)	**201**
millions of lars)											
ginally orted gross erves for paid claim claim ustment enses	31,284	31,204	30,694	29,459	28,415	27,475	26,712	25,412	24,228	24,696	**24,01**
ginally orted ceded overable	13,847	13,682	10,438	8,078	6,945	6,213	5,524	6,060	4,967	5,075	**4,91**
ginally orted net erves for paid claim claim ustment enses	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352	19,261	19,621	**19,10**
mulative paid as of:											
e year later	4,382	2,651	3,442	4,436	4,308	3,930	3,762	3,472	4,277	4,588	
o years r	6,104	4,963	7,022	7,676	7,127	6,746	6,174	6,504	7,459	-	
ee years r	7,780	7,825	9,620	9,822	9,102	8,340	8,374	8,822	-	-	
ur years r	10,085	9,914	11,289	11,312	10,121	9,863	10,038	-	-	-	
e years r	11,834	11,261	12,465	11,973	11,262	11,115	-	-	-	-	
years later	12,988	12,226	12,917	12,858	12,252	-	-	-	-	-	
ven years r	13,845	12,551	13,680	13,670	-	-	-	-	-	-	
ht years r	14,073	13,245	14,409	-	-	-	-	-	-	-	

e years r	14,713	13,916	-	-	-	-	-	-	-	-	
n years later	15,337	-	-	-	-	-	-	-	-	-	
t reserves estimated as											
d of initial r	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352	19,261	19,621	**19,10**
e year later	17,671	18,513	20,588	21,601	21,463	21,021	20,643	18,923	19,081	19,506	
o years r	19,120	19,044	20,975	21,706	21,259	20,472	20,237	18,734	18,946	-	
ee years r	19,760	19,631	21,408	21,609	20,752	20,014	20,012	18,514	-	-	
ur years r	20,425	20,212	21,432	21,286	20,350	19,784	19,758	-	-	-	
e years r	21,060	20,301	21,326	20,982	20,155	19,597	-	-	-	-	
years later	21,217	20,339	21,060	20,815	20,021	-	-	-	-	-	
ven years r	21,381	20,142	20,926	20,755	-	-	-	-	-	-	
ht years r	21,199	20,023	20,900	-	-	-	-	-	-	-	
e years r	21,100	20,054	-	-	-	-	-	-	-	-	
n years later	21,135	-	-	-	-	-	-	-	-	-	
al net ficiency) undancy	(3,698)	(2,532)	(644)	626	1,449	1,665	1,430	838	315	115	
conciliation gross estimated erves:											
t reserves estimated	21,135	20,054	20,900	20,755	20,021	19,597	19,758	18,514	18,946	19,506	
estimated ed overable	15,852	14,706	12,025	9,697	8,293	7,252	6,593	7,093	5,850	5,531	
al gross estimated erves	36,987	34,760	32,925	30,452	28,314	26,849	26,351	25,607	24,796	25,037	
al gross ficiency) undancy	(5,703)	(3,556)	(2,231)	(993)	101	626	361	(195)	(568)	(341)	

ficiency) undancy ated to:										
bestos	(177)	(123)	(113)	(112)	(107)	(79)	-	-	-	-
vironmental lution	(209)	(209)	(159)	(159)	(159)	(76)	-	-	-	-
al asbestos										
ironmental lution	(386)	(332)	(272)	(271)	(266)	(155)	-	-	-	-
re on-asbestos										
ironmental lution)	(3,312)	(2,200)	(372)	897	1,715	1,820	1,430	838	315	115
al net ficiency) undancy	(3,698)	(2,532)	(644)	626	1,449	1,665	1,430	838	315	115

(a) Effective January 1, 2010, CNA ceded its net asbestos and environmental pollution claim and allocated claim adjustment expense reserves under a retroactive reinsurance agreement as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

(b) On July 2, 2012, CNA acquired Hardy. As a result of this acquisition, net reserves were increased by $291 million.

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Please read information relating to CNA s property and casualty claim and claim adjustment expense reserves and reserve development set forth under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and in Notes 1 and 9 of the Notes to Consolidated Financial Statements, included under Item 8.

Investments

Please read Item 7, MD&A Investments and Notes 1, 3, 4 and 5 of the Notes to Consolidated Financial Statements, included under Item 8.

Other

Competition: The property and casualty insurance industry is highly competitive both as to rate and service. CNA competes with a large number of stock and mutual insurance companies and other entities for both distributors and customers. Insurers compete on the basis of factors including products, price, services, ratings and financial strength. CNA must continuously allocate resources to refine and improve its insurance products and services.

There are approximately 2,800 individual companies that sell property and casualty insurance in the United States. Based on 2012 statutory net written premiums, CNA is the eighth largest commercial insurance writer and the 13th largest property and casualty insurance organization in the United States.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision. Each domestic and foreign jurisdiction has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, prescribing the form and content of statutory financial reports, and regulating capital adequacy and the type, quality 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, intercompany transfers of assets may be subject to prior notice or approval by insurance regulators, depending on the size of such transfers and payments in relation to the financial position of the insurance subsidiaries making the transfer or payment.

Hardy is also supervised by the Council of Lloyd s, which is the franchisor for all Lloyd s operations. The Council of Lloyd s has wide discretionary powers to regulate Lloyd s underwriting, such as establishing the capital requirements for syndicate participation. In addition, the annual business plans of each syndicate are subject to the review and approval of the Lloyd s Franchise Board, which is responsible for business planning and monitoring for all syndicates.

The European Union s executive body, the European Commission, is implementing new capital adequacy and risk management regulations called Solvency II that would apply to CNA s European operations. In addition, global regulators, including the United States National Association of Insurance Commissioners, are working with the International Association of Insurance Supervisors (IAIS) to consider changes to insurance company supervision. Among the areas being addressed are company and group capital requirements, group supervision and enterprise risk management. It is not currently clear to what extent or how the activities of the IAIS will impact CNA or U.S. insurance regulation.

Domestic insurers are also required by the state insurance regulators 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 that 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.

Further, insurance companies are subject to state guaranty fund and other insurance-related assessments. Guaranty fund assessments are levied by the state departments of insurance to cover claims of insolvent insurers. Other insurance-related assessments are generally levied by state agencies to fund various organizations including disaster relief funds, rating bureaus, insurance departments, and workers compensation second injury funds, or by industry organizations that assist in the statistical analysis and ratemaking process.

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Although the federal government does not currently directly regulate the business of insurance, federal legislative and regulatory initiatives can impact the insurance industry. These initiatives and legislation include proposed federal oversight of certain insurers; tort reform proposals; proposals addressing natural catastrophe exposures; terrorism risk mechanisms; federal financial services reforms; and various tax proposals affecting insurance companies. Any of the foregoing regulatory limitations, impositions and restrictions may result in significant burdens on CNA.

Various legislative and regulatory efforts to reform the tort liability system have, and will continue to, impact CNA s industry. Although there has been some tort reform with positive impact to the insurance industry, new causes of action and theories of damages continue to be proposed in state court actions or by federal or state legislatures that continue to expand liability for insurers and their policyholders.

Properties: The Chicago location houses CNA s principal executive offices. CNA s subsidiaries own or lease office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to CNA s principal office locations:

Location	Size (square feet)	Principal Usage
333 S. Wabash Avenue Chicago, Illinois	639,553	Principal executive offices of CNA
2405 Lucien Way Maitland, Florida	113,084	Property and casualty insurance offices
125 S. Broad Street New York, New York	71,847	Property and casualty insurance offices
101 S. Reid Street Sioux Falls, South Dakota	61,631	Property and casualty insurance offices
4150 N. Drinkwater Boulevard Scottsdale, Arizona	56,281	Property and casualty insurance offices
401 Penn Street Reading, Pennsylvania	56,009	Property and casualty insurance offices
10375 Park Meadows Drive Littleton, Colorado	42,968	Property and casualty insurance offices
675 Placentia Avenue Brea, California	41,340	Property and casualty insurance offices
700 N. Pearl Street Dallas, Texas	37,870	Property and casualty insurance offices
1249 S. River Road Cranbury, New Jersey	36,946	Property and casualty insurance offices

CNA leases its office space described above except for the building in Chicago, Illinois, which is owned.

DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Drilling, Inc. (Diamond Offshore) is engaged, through its subsidiaries, in the business of operating drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in the exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. Diamond

Offshore accounted for 19.4%, 21.1% and 23.6% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

Rigs: Diamond Offshore owns 45 offshore drilling rigs, consisting of 33 semisubmersible rigs, seven jack-ups and five dynamically positioned drillships, three of which are under construction with deliveries scheduled for the second and third quarters of 2014 and the first quarter of 2015. Diamond Offshore s semisubmersible fleet also includes the *Ocean Apex*, a moored semisubmersible rig which is under construction and expected to be delivered in the third quarter of 2014, a mid-water floater which is being modified to work in the North Sea, to be completed in the second quarter of 2014 and a dynamically positioned, ultra-deepwater harsh environment semisubmersible

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drilling rig, under construction, expected to be delivered in the first quarter of 2016. Diamond Offshore s diverse fleet enables it to offer a broad range of services worldwide in both the floater market (ultra-deepwater, deepwater and mid-water) and the non-floater, or jack-up market.

A floater rig is a type of mobile offshore drilling unit that floats and does not rest on the seafloor. This asset class includes self-propelled drillships and semisubmersible rigs. Semisubmersible rigs consist of an upper working and living deck resting on vertical columns connected to lower hull members. Such rigs operate in a semi-submerged position, remaining afloat, off bottom, in a position in which the lower hull is approximately 55 feet to 90 feet below the water line and the upper deck protrudes well above the surface. Semisubmersible rigs hold position while drilling by use of a series of small propulsion units or thrusters that provide dynamic positioning (DP) to keep the rig on location, or with anchors tethered to the seabed. Although DP semisubmersibles are self-propelled, such rigs may be moved long distances with the assistance of tug boats. Non-DP, or moored, semisubmersible rigs require tug boats or the use of a heavy lift vessel to move between locations.

A drillship is an adaptation of a maritime vessel which is designed and constructed to carry out drilling operations by means of a substructure with a moon pool centrally located in the hull. Drillships are typically self-propelled and are positioned over a drillsite through the use of either an anchoring system or a DP system similar to those used on semisubmersible rigs.

Diamond Offshore s floater fleet (semisubmersibles and drillships) can be further categorized based on the nominal water depth for each class of rig as follows:

Category	Rated Water Depth (a) (in feet)	Number of Units in Fleet
Ultra-Deepwater	7,501 to 12,000	13 (b)
Deepwater	5,000 to 7,500	7 (c)
Mid-Water	400 to 4,999	18

(a) Rated water depth for semisubmersibles and drillships reflects the maximum water depth in which a floating rig has been designed to operate. However, individual rigs are capable of drilling, or have drilled, in marginally greater water depths depending on various conditions (such as salinity of the ocean, weather and sea conditions).
(b) Includes three drillships and one harsh environment semisubmersible rig under construction.
(c) Includes one rig under construction utilizing the hull of one of Diamond Offshore s existing mid-water floaters.

Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the ocean floor. Diamond Offshore s jack-ups are used for drilling in water depths from 20 feet to 350 feet. The water depth limit of a particular rig is able to operate is principally determined by the length of the rig s legs. The rig hull includes the drilling equipment, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, heliport and other related equipment. A jack-up rig is towed to the drillsite with its hull riding in the sea, as a vessel, with its legs retracted. Once over a drillsite, the legs are lowered until they rest on the seabed and jacking continues with the legs penetrating the seabed until they are firm and stable, and resistance is sufficient to elevate the hull above the surface of the water. After completion of drilling operations, the hull is lowered until it rests in the water and then the legs are retracted for relocation to another drillsite. All of Diamond Offshore s jack-up rigs are equipped with a cantilever system that enables the rig to extend its drilling package over the aft end of the rig.

Fleet Enhancements and Additions: Diamond Offshore s long term strategy is to upgrade its fleet to meet customer demand for advanced, efficient and high-tech rigs by acquiring or building new rigs when possible to do so at attractive prices, and otherwise by enhancing the capabilities of its existing rigs at a lower cost and reduced construction period than newbuild construction would require. Since 2009, commencing with the acquisition of two newbuild, ultra-deepwater semisubmersible rigs, Diamond Offshore has committed over $5 billion towards upgrading its fleet. The *Ocean Onyx*, one of its two newest deepwater semisubmersible rigs, was completed in late 2013 and commenced drilling operations under a one-year contract in the Gulf of Mexico (GOM) in early 2014. The *Ocean BlackHawk*, the first of four new ultra-deepwater drillships, is currently mobilizing to the GOM and is expected to begin working under contract in the second quarter of 2014. Diamond Offshore also has six other construction/enhancement projects underway including:

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three dynamically positioned, ultra-deepwater drillships with expected completion dates in the second and third quarters of 2014 and the first quarter of 2015 at an aggregate cost of approximately $1.9 billion;

a dynamically positioned, ultra-deepwater harsh environment semisubmersible drilling rig with an expected completion date in the first quarter of 2016 at an estimated cost of approximately $755 million;

a deepwater semisubmersible rig with an expected completion date in the third quarter of 2014 at an estimated cost of approximately $370 million; and

enhancements to a mid-water semisubmersible rig that will enable the rig to work in the North Sea with an expected completion date in the second quarter of 2014 at an estimated cost of approximately $120 million.

Diamond Offshore will evaluate further rig acquisition and enhancement opportunities as they arise. However, Diamond Offshore can provide no assurance whether, or to what extent, it will continue to make rig acquisitions or enhancements to its fleet.

Markets: The principal markets for Diamond Offshore s contract drilling services are the following:

South America, principally offshore Brazil and Trinidad and Tobago;

Australia and Southeast Asia, including Malaysia, Indonesia and Vietnam;

the Middle East;

Europe, principally in the United Kingdom (U.K.) and Norway;

East and West Africa;

the Mediterranean; and

the Gulf of Mexico, including the U.S. and Mexico.

Diamond Offshore actively markets its rigs worldwide. From time to time Diamond Offshore s fleet operates in various other markets throughout the world.

Diamond Offshore believes its presence in multiple markets is valuable in many respects. For example, Diamond Offshore believes that its experience with safety and other regulatory matters in the U.K. has been beneficial in Australia and other international areas in which Diamond Offshore operates, while production experience it has gained through its Brazilian and North Sea operations has potential application worldwide. Additionally, Diamond Offshore

believes its performance for a customer in one market area enables it to better understand that customer s needs and better serve that customer in different market areas or other geographic locations.

Drilling Contracts: Diamond Offshore s contracts to provide offshore drilling services vary in their terms and provisions. Diamond Offshore typically obtains its contracts through a competitive bid process, although it is not unusual for Diamond Offshore to be awarded drilling contracts following direct negotiations. Drilling contracts generally provide for a basic fixed dayrate regardless of whether or not such drilling results in a productive well. Drilling contracts may also provide for reductions in rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other circumstances. Under dayrate contracts, Diamond Offshore generally pays the operating expenses of the rig, including wages and the cost of incidental supplies. Historically, dayrate contracts have accounted for the majority of Diamond Offshore s revenues. In addition, from time to time, Diamond Offshore s dayrate contracts may also provide for the ability to earn an incentive bonus from its customer based upon performance.

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The duration of a dayrate drilling contract is generally tied to the time required to drill a single well or a group of wells, which Diamond Offshore refers to as a well-to-well contract, or a fixed period of time, in what Diamond Offshore refers to as a term contract. Many drilling contracts may be terminated by the customer in the event the drilling rig is destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment or, in some cases, due to other events beyond the control of either party to the contract. Certain of Diamond Offshore s contracts also permit the customer to terminate the contract early by giving notice, and in most circumstances, this requires the payment of an early termination fee by the customer. The contract term in many instances may also be extended by the customer exercising options for the drilling of additional wells or for an additional length of time, generally at competitive market rates and mutually agreeable terms at the time of the extension.

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. During 2013, 2012 and 2011, Diamond Offshore performed services for 39, 35 and 52 different customers. During 2013, 2012 and 2011, one of Diamond Offshore s customers in Brazil, Petróleo Brasileiro S.A. (Petrobras), (a Brazilian multinational energy company that is majority-owned by the Brazilian government), accounted for 34%, 33% and 35% of Diamond Offshore s annual total consolidated revenues. OGX Petróleo e Gás Ltda. (OGX), (a privately owned Brazilian oil and natural gas company that filed for bankruptcy in October of 2013), accounted for 2%, 12% and 14% of Diamond Offshore s annual total consolidated revenues in each of the years ended December 31, 2013, 2012 and 2011. No other customer accounted for 10% or more of Diamond Offshore s annual total consolidated revenues during 2013, 2012 or 2011.

Brazil is one of the most active floater markets in the world today. Currently, the greatest concentration of Diamond Offshore s operating assets is offshore Brazil, where it has ten rigs contracted. Diamond Offshore s contract backlog attributable to its expected operations offshore Brazil is $953 million, $537 million and $62 million for the years 2014, 2015 and 2016.

Competition: Despite consolidation in previous years, the offshore contract drilling industry remains highly competitive with numerous industry participants, none of which at the present time has a dominant market share. The industry may also experience additional consolidation in the future, which could create other large competitors. Some of Diamond Offshore s competitors may have greater financial or other resources than Diamond Offshore. Diamond Offshore competes with offshore drilling contractors that together have approximately 600 mobile rigs available worldwide.

The offshore contract drilling industry is influenced by a number of factors, including global economies and demand for oil and natural gas, current and anticipated prices of oil and natural gas, expenditures by oil and gas companies for exploration and development of oil and natural gas and the availability of drilling rigs.

Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job. Customers may also consider rig availability and location, a drilling contractor s operational and safety performance record, and condition and suitability of equipment. Diamond Offshore believes it competes favorably with respect to these factors.

Diamond Offshore competes on a worldwide basis, but competition may vary significantly by region at any particular time. Competition for offshore rigs generally takes place on a global basis, as these rigs are highly mobile and may be moved, at a cost that may be substantial, from one region to another. It is characteristic of the offshore contract drilling industry to move rigs from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. Significant new rig construction and upgrades of existing drilling units could also intensify price competition.

Governmental Regulation: Diamond Offshore s operations are subject to numerous international, foreign, U.S., state and local laws and regulations that relate directly or indirectly to its operations, including regulations controlling the discharge of materials into the environment, requiring removal and clean-up under some circumstances, or otherwise relating to the protection of the environment, and may include laws or regulations pertaining to climate change, carbon emissions or energy use.

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Operations Outside the United States: Diamond Offshore s operations outside the U.S. accounted for approximately 89%, 94% and 90% of its total consolidated revenues for the years ended December 31, 2013, 2012 and 2011.

Properties: Diamond Offshore owns an office building in Houston, Texas, where its corporate headquarters are located, offices and other facilities in New Iberia, Louisiana, Aberdeen, Scotland, Macae, Brazil and Ciudad del Carmen, Mexico. Additionally, Diamond Offshore currently leases various office, warehouse and storage facilities in Louisiana, Australia, Indonesia, Norway, Malaysia, Singapore, Egypt, Angola, Vietnam, Thailand, Cameroon, Trinidad and Tobago and the U.K. to support its offshore drilling operations.

BOARDWALK PIPELINE PARTNERS, LP

Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) is engaged in integrated natural gas and natural gas liquids (NGLs) transportation and storage and natural gas gathering and processing. Boardwalk Pipeline accounted for 8.2%, 8.1% and 8.1% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

We own approximately 53% of Boardwalk Pipeline comprised of 125,586,133 common units and a 2% general partner interest. A wholly owned subsidiary of ours, Boardwalk Pipelines Holding Corp. (BPHC) is the general partner and holds all of Boardwalk Pipeline s incentive distribution rights which entitle the general partner to an increasing percentage of the cash that is distributed by Boardwalk Pipeline in excess of $0.4025 per unit per quarter.

Boardwalk Pipeline owns and operates approximately 14,195 miles of interconnected natural gas pipelines directly serving customers in 13 states and indirectly serving customers throughout the northeastern and southeastern United States through numerous interconnections with unaffiliated pipelines. Boardwalk Pipeline also owns approximately 255 miles of NGL pipelines in Louisiana. In 2013, its pipeline systems transported approximately 2.4 trillion cubic feet (Tcf) of natural gas and approximately 7.5 million barrels (MMbbls) of NGLs. Average daily throughput on Boardwalk Pipeline s natural gas pipeline systems during 2013 was approximately 6.6 billion cubic feet (Bcf). Boardwalk Pipeline s natural gas storage facilities are comprised of 14 underground storage fields located in four states with aggregate working gas capacity of approximately 207.0 Bcf and Boardwalk Pipeline s NGL storage facilities consist of eight salt dome storage caverns located in Louisiana with an aggregate storage capacity of approximately 17.6 MMbbls. Boardwalk Pipeline also owns two salt dome caverns for use in providing brine supply services and to support the NGL storage operations.

The pipeline and storage systems of Boardwalk Pipeline consist of the following:

The Gulf Crossing pipeline system, which originates in Texas and proceeds into Louisiana, operates approximately 360 miles of natural gas pipeline. The pipeline system has a peak-day delivery capacity of 1.7 Bcf per day and average daily throughput for the year ended December 31, 2013 was 1.2 Bcf per day.

The Gulf South pipeline system runs approximately 7,200 miles along the Gulf Coast in the states of Texas, Louisiana, Mississippi, Alabama and Florida. Gulf South has two natural gas storage facilities with 83.0 Bcf of working gas storage capacity. The pipeline system has a peak-day delivery capacity of 6.9 Bcf per day and average daily throughput for the year ended December 31, 2013 was 2.5 Bcf per day.

The Texas Gas pipeline system originates in Louisiana, East Texas and Arkansas and runs for approximately 6,100 miles north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, and into Ohio, with smaller diameter lines extending into Illinois. The pipeline system has a peak-day delivery capacity of 4.6 Bcf per day and average daily throughput for the year ended December 31, 2013 was 2.6 Bcf per day. Texas Gas owns nine natural gas storage fields with 84.0 Bcf of working gas storage capacity.

Field Services operates natural gas gathering, compression, treating and processing infrastructure primarily in south Texas with approximately 420 miles of pipeline.

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Petal Gas Storage, LLC (formerly referred to as Boardwalk HP Storage Company, LLC) (Petal) owns and operates eight salt dome natural gas storage caverns in Mississippi, with 46.0 Bcf of total storage capacity, of which approximately 29.0 Bcf is working gas capacity. Petal also operates approximately 100 miles of pipeline which connects its facilities with several major natural gas pipelines, including Gulf South. Average daily throughput for the pipeline system for the year ended December 31, 2013 was 0.2 Bcf per day. Petal also owns undeveloped land which is suitable for up to five additional storage caverns.

Louisiana Midstream s storage services provide approximately 57.8 MMbbls of salt dome storage capacity, including approximately 11.0 Bcf of working natural gas storage capacity and approximately 17.6 MMbbls of salt dome NGL storage capacity, significant brine supply infrastructure including two salt dome caverns and approximately 270 miles of pipeline assets, including an extensive ethylene distribution system.

Boardwalk Pipeline s current growth projects and investments include the following:

Southeast Market Expansion: The Southeast Market Expansion project is an interconnection between Boardwalk Pipeline s Gulf South pipeline and Petal facilities, additional compression facilities and approximately 70 miles of additional pipeline, adding 0.5 Bcf per day of peak-day transmission capacity. The project, which was approved by the Federal Energy Regulatory Commission (FERC), is expected to be placed in service in the fourth quarter of 2014 and will cost approximately $300 million. The Southeast Market Expansion project is fully contracted with a weighted average contract life of approximately 10 years.

Ohio to Louisiana Access Project: Boardwalk Pipeline s Ohio to Louisiana Access Project would provide long term firm natural gas transportation from the Marcellus and Utica production areas to Louisiana. This project does not add additional capacity to Boardwalk Pipeline s natural gas pipeline systems, but will reverse the traditional flow of natural gas from northbound to southbound on a portion of its Texas Gas system. The project is supported by firm transportation contracts for 0.6 Bcf of capacity per day with producers and end-users with a weighted average contract life of approximately 13 years. The project is expected to cost approximately $115 million and is expected to be placed into service in the first half of 2016, subject to FERC approval.

Bluegrass Project: In 2013, Boardwalk Pipeline executed a series of agreements with the Williams Companies, Inc. (Williams) to develop the Bluegrass Project, a joint venture project that would develop a pipeline to transport NGLs from the Marcellus and Utica shale plays to the petrochemical and export complex in the Lake Charles, Louisiana area, and the construction of related fractionation, storage and liquefied petroleum gas (LPG) terminal export facilities.

The proposed project would include constructing a new pipeline that would initially provide producers with 200,000 barrels per day of mixed NGLs take-away capacity in Ohio, West Virginia and Pennsylvania to an interconnect with the Texas Gas pipeline in Kentucky. Capacity could be increased to 400,000 barrels per day to meet market demand, primarily by adding additional liquids pumping capacity. From the interconnect with Texas Gas to Louisiana, a portion of the Texas Gas pipeline (Texas Gas Loop Line) would be converted from natural gas service to NGLs service. The proposed project would also include constructing a new large-scale fractionation plant, expanding NGLs storage facilities in Louisiana, constructing a new pipeline connecting these facilities to the converted Texas Gas Loop Line and constructing a new export LPG terminal and related facilities on the Gulf Coast to provide customers access to international markets.

Boardwalk Pipeline and Williams are engaged in comprehensive project development activities including project design, cost estimating, economic and risk analysis, permitting, other legal and regulatory approvals and right-of-way acquisition. Boardwalk Pipeline and Williams are also continuing ongoing discussions with potential customers

regarding commitments for pipeline, fractionation, storage and export services to support this project. As of December 31, 2013, Boardwalk Pipeline and BPHC have contributed a total of $79 million to the project for pre-construction development costs.

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Approval and completion of this project is subject to, among other conditions, execution of customer contracts sufficient to support the project, acquisition of right-of-way along the pipeline route, and the parties receipt of all necessary approvals, including board approvals and regulatory approvals, such as antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approvals by the FERC, among others. Before the Texas Gas Loop Line can be converted to NGLs service, abandonment authority must be received from FERC. The abandonment application was filed with FERC in May of 2013 and Boardwalk Pipeline estimates the abandonment process will take at least twelve months. In addition, each of the parties has the right, under certain circumstances, to withdraw from the project or from portions of the project, in which case the project may be terminated, only portions of the project may be completed, or the parties respective ownership interests in the project may change. Boardwalk Pipeline and Williams are continuing to evaluate all aspects of the project, including the anticipated date the project would be placed in service if it is completed.

Customers: Boardwalk Pipeline serves a broad mix of customers, including producers of natural gas, local distribution companies, marketers, electric power generators, industrial users and interstate and intrastate pipelines, located throughout the Gulf Coast, Midwest and Northeast regions of the U.S.

Competition: Boardwalk Pipeline competes with numerous other pipelines that provide transportation, storage and other services at many locations along its pipeline systems. Boardwalk Pipeline also competes with pipelines that are attached to new natural gas supply sources that are being developed closer to some of its traditional natural gas market areas. In addition, regulators continuing efforts to increase competition in the natural gas industry have increased the natural gas transportation options of Boardwalk Pipeline s traditional customers. As a result of regulators policies, capacity segmentation and capacity release have created an active secondary market which increasingly competes with Boardwalk Pipeline s natural gas pipeline services. Further, natural gas competes with other forms of energy available to Boardwalk Pipeline s customers, including electricity, coal, fuel oils and alternative fuel sources.

The principal elements of competition among pipelines are available capacity, rates, terms of service, access to gas supplies, flexibility and reliability of service. In many cases, the elements of competition, in particular flexibility, terms of service and reliability, are key differentiating factors between competitors. This is especially the case with capacity being sold on a longer term basis. Boardwalk Pipeline is focused on finding opportunities to enhance its competitive profile in these areas by increasing the flexibility of its pipeline systems to meet the demands of customers, such as power generators and industrial users, and is continually reviewing its services and terms of service to offer customers enhanced service options.

Seasonality: Boardwalk Pipeline s revenues can be affected by weather, natural gas price levels, basis spreads and time period price spreads and natural gas price volatility. Weather impacts natural gas demand for heating needs and power generation, which in turn influences the short term value of transportation and storage across Boardwalk Pipeline s pipeline systems. Colder than normal winters can result in an increase in the demand for natural gas for heating needs and warmer than normal summers can impact cooling needs, both of which typically result in increased pipeline transportation revenues and throughput. While traditionally peak demand for natural gas occurs during the winter months driven by heating needs, the increased use of natural gas for cooling needs during the summer months has partially reduced the seasonality of revenues. In 2013, approximately 53% of Boardwalk Pipeline s revenue was recognized in the first and fourth quarters of the year.

Governmental Regulation: FERC regulates Boardwalk Pipeline s natural gas operating subsidiaries under the Natural Gas Act (NGA) of 1938 and the Natural Gas Policy Act (NGPA) of 1978. FERC regulates, among other things, the rates and charges for the transportation and storage of natural gas in interstate commerce and the extension, enlargement or abandonment of facilities under its jurisdiction. Where required, Boardwalk Pipeline s natural gas interstate subsidiaries hold certificates of public convenience and necessity issued by FERC covering certain of their

facilities, activities and services. The maximum rates that may be charged by Boardwalk Pipeline s subsidiaries operating under FERC s jurisdiction, for all aspects of the natural gas transportation services it provides, are established through FERC s cost-of-service rate-making process. The maximum rates that may be charged by Boardwalk Pipeline for storage services on Texas Gas, with the exception of services associated with a portion of the working gas capacity on that system, are established through FERC s cost-of-service rate-making process. Key determinants in FERC s cost-of-service rate-making process are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return

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a pipeline is permitted to earn. FERC has authorized Boardwalk Pipeline to charge market-based rates for its firm and interruptible storage services for the majority of its storage facilities. None of Boardwalk Pipeline s FERC-regulated entities has an obligation to file a new rate case.

Boardwalk Pipeline is also regulated by the U.S. Department of Transportation (DOT) through the Pipeline and Hazardous Materials Safety Administration (PHMSA) under the Natural Gas Pipeline Safety Act of 1968, as amended by Title I of the Pipeline Safety Act of 1979 (NGPSA) and the Hazardous Liquids Pipeline Safety Act of 1979 (HLPSA), which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas and NGL pipeline facilities. Boardwalk Pipeline has received authority from PHMSA to operate certain natural gas pipeline assets under special permits that will allow it to operate those assets at higher than normal operating pressures of up to 0.80 of the pipe s Specified Minimum Yield Strength (SMYS). Operating at higher than normal operating pressures will allow each of these pipelines to transport all of the volumes Boardwalk Pipeline has contracted for with its customers. PHMSA retains discretion whether to grant or maintain authority for Boardwalk Pipeline to operate these natural gas pipeline assets at higher pressures. PHMSA has also developed regulations that require transportation pipeline operators to implement integrity management programs to comprehensively evaluate certain high risk areas along their pipelines and take additional measures to protect pipeline segments located in highly populated areas. The NGPSA and HLPSA were most recently amended by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act) in 2012, with the 2011 Act requiring increased maximum civil penalties for certain violations to $200,000 per violation per day, and an increased total cap of $2 million. In addition, the 2011 Act reauthorized the federal pipeline safety programs of PHMSA through September 30, 2015, and directs the Secretary of Transportation to undertake a number of reviews, studies and reports, some of which may result in more stringent safety controls or additional natural gas and hazardous liquids pipeline safety rulemaking. A number of the provisions of the 2011 Act have the potential to cause owners and operators of pipeline facilities to incur significant capital expenditures and/or operating costs.

Boardwalk Pipeline s operations are also subject to extensive federal, state, and local laws and regulations relating to protection of the environment. Such laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases, discharges and emissions of various substances into the environment. Environmental regulations also require that Boardwalk Pipeline s facilities, sites and other properties be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of corrective or remedial obligations and the issuance of orders enjoining performance of some or all of Boardwalk Pipeline s operations. While Boardwalk Pipeline believes that they are in substantial compliance with existing environmental laws and regulations and that continued compliance with existing requirements will not materially affect them, there is no assurance that the current regulatory standards will not become more onerous in the future, resulting in more significant costs to maintain compliance or increased exposure to significant liabilities.

Properties: Boardwalk Pipeline is headquartered in approximately 108,000 square feet of leased office space located in Houston, Texas. Boardwalk Pipeline also leases approximately 60,000 square feet of office space in Owensboro, Kentucky. Boardwalk Pipeline s operating subsidiaries own their respective pipeline systems in fee. However, substantial portions of these systems are constructed and maintained on property owned by others pursuant to rights-of-way, easements, permits, licenses or consents.

HIGHMOUNT EXPLORATION & PRODUCTION LLC

HighMount Exploration & Production, LLC (HighMount) is engaged in the exploration, production and marketing of natural gas and oil (including condensate and NGLs). HighMount accounted for 1.7%, 2.0% and 2.5% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

HighMount s proved reserves and production are primarily located in the Sonora field, a tight sands gas formation within the Permian Basin in West Texas. HighMount holds mineral rights on over 500,000 net acres in the Permian Basin, with approximately 6,000 producing wells. In addition, HighMount has working interests in undeveloped oil and gas properties located on approximately 67,000 net acres in Oklahoma which contain primarily oil reserves.

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HighMount s interests in developed and undeveloped acreage, wellbores and well facilities generally take the form of working interests in leases that have varying terms. HighMount s interests in these properties are, in many cases, held jointly with third parties and may be subject to royalty, overriding royalty, carried, net profits and other similar interests and contractual arrangements with other parties as is customary in the oil and gas industry. HighMount also owns and operates approximately 3,200 miles of gathering lines and operates over 58,000 horsepower of compression which are used to transport natural gas and NGLs principally from HighMount s producing wells to processing plants and pipelines owned by third parties.

We use the following terms throughout this discussion of HighMount s business, with equivalent volumes computed with oil and NGL quantities converted to Mcf, on an energy equivalent ratio of one barrel to six Mcf:

Average price	-	Average price during the twelve-month period, prior to the date of the estimate, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements with customers, excluding escalations based upon future conditions
Bbl	-	Barrel (of oil or NGLs)
Bcf	-	Billion cubic feet (of natural gas)
Bcfe	-	Billion cubic feet of natural gas equivalent
Developed acreage	-	Acreage assignable to productive wells
Gross acres	-	Total acres in which HighMount owns a working interest
Gross wells	-	Total number of wells in which HighMount owns a working interest
Mcf	-	Thousand cubic feet (of natural gas)
Mcfe	-	Thousand cubic feet of natural gas equivalent
MMBbl	-	Million barrels (of oil or NGLs)
MMBtu	-	Million British thermal units
MMcf	-	Million cubic feet (of natural gas)
MMcfe	-	Million cubic feet of natural gas equivalent
Net acres	-	The sum of all gross acres covered by a lease or other arrangement multiplied by the working interest owned by HighMount in such gross acreage
Net wells	-	The sum of all gross wells multiplied by the working interest owned by HighMount in such wells
NGL	-	Natural Gas Liquids largely ethane and propane as well as some heavier hydrocarbons
Productive wells	-	Producing wells and wells mechanically capable of production
Proved reserves	-	Quantities of natural gas, NGLs and oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be recoverable in the future from known reservoirs under existing economic conditions, operating methods and government regulations
Proved developed reserves	-	Proved reserves which can be expected to be recovered through existing wells with existing equipment, infrastructure and operating methods
Proved undeveloped reserves	-	Proved reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required
Tcf	-	Trillion cubic feet (of natural gas)
Tcfe	-	Trillion cubic feet of natural gas equivalent
Undeveloped acreage	-	Acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas

As of December 31, 2013, HighMount owned 719.3 Bcfe of net proved reserves, of which 92.7% were classified as proved developed reserves. HighMount s estimated total proved reserves consist of 514.5 Bcf of natural gas, 30.7 MMBbls of NGLs, and 3.4 MMBbls of oil and condensate. HighMount produced approximately 133 MMcfe per day of net natural gas, NGLs and oil during 2013. HighMount holds leasehold or drilling rights in 0.7 million net acres, of which 0.5 million is developed acreage and the balance is held for future exploration and development drilling opportunities. HighMount participated in the drilling of 60 wells during 2013, of which 57 (or 95.0%) are productive wells.

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Recent Developments: The growth in recent years in the production of natural gas and natural gas liquids from new supply areas across the United States, some of which are closer to traditional high value end markets and are less expensive to produce than HighMount s production, continues to depress the prices of those commodities. This trend is expected to continue for the foreseeable future as production from basins such as the Marcellus Shale and Utica Shale is forecasted to increase significantly over the next several years. As a result of these prevailing low commodity prices, it is not currently economical for HighMount to drill new natural gas wells in the Sonora field. In 2012, HighMount ceased drilling new gas wells and is now solely pursuing a strategy of seeking to develop resource plays expected to be rich in oil, which has not experienced the dramatic price declines of natural gas and natural gas liquids.

In 2011, HighMount acquired acreage in Oklahoma with non-proven oil resources in the Mississippian Lime and Woodford Shale formations. More recently, HighMount has been seeking to develop oil reserves in the Wolfcamp zone of its Sonora acreage. HighMount has drilled a number of exploratory wells in these plays using various horizontal drilling, fracturing and well completion techniques, which are far more expensive to drill than its traditional vertical natural gas wells in the Sonora field. HighMount is not currently drilling new wells on its Oklahoma properties and has one drilling rig working in the Wolfcamp area. To date, these exploratory wells have not yielded sufficient quantities of oil to support commercial development of these properties. Further study and refinement of drilling techniques will be required in order to determine whether there is an economic development opportunity.

In light of these developments, HighMount recorded a goodwill impairment charge of $584 million ($382 million after tax) in 2013. See the Results of Operations by Business Segment section of this MD&A and Note 8 of the Notes to Consolidated Financial Statements included under Item 8 for additional information.

Reserves: HighMount s reserves represent its share of reserves based on its net revenue interest in each property. Estimated reserves as of December 31, 2013 are based upon studies for each of HighMount s properties prepared by HighMount staff engineers and are the responsibility of management. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with Securities and Exchange Commission (SEC) guidelines.

HighMount employs various internal controls to validate the reserve estimation process. The main internal controls include (i) detailed reviews of reserve-related information by reserve engineering and executive management, (ii) reserve audits performed by an independent third party reserve auditor, (iii) segregation of duties, and (iv) system reconciliation or automated interface between various systems used in the reserve estimation process.

HighMount employs a team of reservoir engineers that specialize in HighMount s areas of operation. The reservoir engineering team reports to HighMount s Chief Operating Officer. The compensation of HighMount s reservoir engineers is not dependent on the quantity of reserves booked. HighMount s lead evaluator has over seven years of petroleum engineering experience, most of which have been in the reservoir engineering and reserve fields. He is a member in good standing of and has held leadership roles in the Society of Petroleum Engineers.

HighMount s reserves estimates for 2013 have been independently audited by Netherland, Sewell & Associates, Inc. (NSAI), a worldwide leader of petroleum property analysis for industry and financial organizations and governmental agencies. NSAI was founded in 1961 and performs consulting services under Texas Board of Professional Engineers Registration No. F-2699. The technical person primarily responsible for NSAI s audit and audit letter has over 30 years of industry experience and has been practicing consulting petroleum engineering at NSAI since 1989.

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The following table sets forth HighMount s proved reserves at December 31, 2013, based on average 2013 prices of $3.67 per MMBtu for natural gas, $35.39 per Bbl for NGLs and $96.94 per Bbl for oil. Approximately 99% of HighMount s proved reserves are located in the Permian Basin in Texas and approximately 1% of proved reserves are located in Oklahoma.

	Natural Gas (MMcf)	NGLs (Bbls)	Oil (Bbls)	Natural Gas Equivalents (MMcfe)
Proved developed	**484,922**	**27,571,435**	**2,761,873**	**666,922**
Proved undeveloped	**29,574**	**3,143,804**	**654,870**	**52,366**
Total proved	**514,496**	**30,715,239**	**3,416,743**	**719,288**

HighMount reviews its proved reserves during the fourth quarter of each year. During 2013, HighMount produced 48 Bcfe and recorded negative net reserve revisions of 79 Bcfe due to a reclassification of proved undeveloped reserves to the non-proved category due to variability in well performance primarily in the Mississippian Lime and reduction in drilling plans, driven by continued low natural gas and NGL prices. Estimated net quantities of proved natural gas and oil reserves at December 31, 2013, 2012 and 2011 and changes in the reserves during 2013, 2012 and 2011 are shown in Note 15 of the Notes to Consolidated Financial Statements included under Item 8.

HighMount s Sonora natural gas-producing properties typically have relatively long reserve lives and high well completion success rates. Based on December 31, 2013 proved reserves and HighMount s average production from these properties during 2013, the average reserve-to-production index of HighMount s proved reserves is 15 years.

In order to replenish reserves as they are depleted by production, and to increase reserves, and if determined to be economical, HighMount develops its existing acreage by drilling new wells and, where available, employing new technologies and drilling strategies designed to enhance production from existing wells. In addition, HighMount may seek to acquire additional acreage in its core areas of operation, as well as other locations where its management has identified an opportunity. As noted above, HighMount is not currently drilling new natural gas wells and is pursuing a limited drilling program seeking to develop additional oil reserves.

During 2013, 2012 and 2011, HighMount engaged in the drilling activity presented in the following table:

Year Ended December 31	**2013**		2012		2011	
	Gross	**Net**	Gross	Net	Gross	Net
Development Wells						
Productive Wells	**57**	**45.3**	83	78.5	46	46.0
Dry Wells	**3**	**3.0**	8	8.0	5	5.0
Total Development Wells	**60**	**48.3**	91	86.5	51	51.0

Exploratory Wells						
Productive Wells					10	9.5
Dry Wells					2	2.0
Total Exploratory Wells					12	11.5
Total Completed Wells	**60**	**48.3**	91	86.5	63	62.5

In addition, at December 31, 2013, HighMount had 14 (13.8 net) wells in progress.

As of December 31, 2013, HighMount had working interests in approximately 6,000 gross producing wells (approximately 5,700 net producing wells) located primarily in the Permian Basin. In addition, HighMount had royalty interests in approximately 249 wells located in the Permian Basin. Wells located in the Permian Basin have a typical well depth in the range of 6,000 to 9,000 feet.

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Acreage: As of December 31, 2013, HighMount owned interests in 1,055,799 gross (657,354 net) acres in the United States which is comprised of 615,282 gross (474,947 net) developed acres, and 440,517 gross (182,407 net) undeveloped acres.

Leases covering 18,956, 45,804 and 8,150 of HighMount s net acreage will expire during the years ended December 31, 2014, 2015 and 2016, if production is not established or HighMount takes no other action to extend the terms.

Production and Sales: Please see the Production and Sales statistics table for additional information included in the MD&A under Item 7.

HighMount utilizes its own marketing and sales personnel to market the natural gas and oil that it produces to large energy companies and intrastate pipelines and gathering companies. Production is typically sold and delivered directly to a pipeline at liquid pooling points or at the tailgates of various processing plants, where it then enters a pipeline system. Permian Basin natural gas sales prices are primarily at a Houston Ship Channel Index.

To manage the risk of fluctuations in prevailing commodity prices, HighMount enters into commodity and basis swaps and other derivative instruments.

Competition: HighMount competes with other oil and gas companies in all aspects of its business, including acquisition of producing properties and leases and obtaining goods, services and labor, including drilling rigs and well completion services. HighMount also competes in the marketing of produced natural gas and oil. Some of HighMount s competitors have substantially larger financial and other resources than HighMount. Factors that affect HighMount s ability to acquire producing properties include available funds, available information about the property and standards established by HighMount for minimum projected return on investment. Natural gas and oil also compete with alternative fuel sources, including heating oil and coal.

Governmental Regulation: All of HighMount s operations are conducted onshore in the United States. The U.S. oil and gas industry, and HighMount s operations, are subject to regulation at the federal, state and local level. Such regulation includes requirements with respect to, among other things: permits to drill and to conduct other operations; provision of financial assurances (such as bonds) covering drilling and well operations; the location of wells; the method of drilling and completing wells; the surface use and restoration of properties upon which wells are drilled; the plugging and abandoning of wells; the marketing, transportation and reporting of production; the valuation and payment of royalties; the size of drilling and spacing units (regarding the density of wells which may be drilled in a particular area); the unitization or pooling of natural gas and oil properties; maximum rates of production from natural gas and oil wells; venting or flaring of natural gas; and the ratability of production and the operation of gathering systems and related assets.

HighMount uses hydraulic fracturing to stimulate the production of oil and natural gas. In recent years, concerns have been raised that the fracturing process may, among other things, contaminate underground sources of drinking water. The conference committee report for The Department of the Interior, Environment, and Related Agencies Appropriations Act for Fiscal Year 2010 requested the United States Environmental Protection Agency (EPA) to conduct a study of hydraulic fracturing, particularly the relationship between hydraulic fracturing and drinking water. In December of 2012 the EPA issued a progress report of the projects the EPA is conducting as part of the study. A final draft report is expected to be released for public comment and peer review in 2014. Several bills have been introduced in Congress seeking federal regulation of hydraulic fracturing, which has historically been regulated at the state level, though none of the proposed legislation has been passed into law. HighMount believes that similar bills will continue to be introduced in Congress and a number of federal agencies are analyzing, or have been requested to

review, a variety of environmental issues associated with hydraulic fracturing; however, HighMount cannot predict whether any such bill will be passed into law or, if passed, the substance of any such new law.

The Federal Energy Policy Act of 2005 amended the NGA to prohibit natural gas market manipulation by any entity, directed the FERC to facilitate market transparency in the sale or transportation of physical natural gas and significantly increased the penalties for violations of the NGA of 1938, the NGPA of 1978, or FERC regulations or orders thereunder. In addition, HighMount owns and operates gas gathering lines and related facilities which are regulated by the DOT and state agencies with respect to safety and operating conditions.

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HighMount s operations are also subject to federal, state and local laws and regulations concerning the discharge of contaminants into the environment, the generation, storage, transportation and disposal of contaminants, and the protection of public health, natural resources, wildlife and the environment. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products, water and air pollution control procedures, and the remediation of petroleum-product contamination. In addition, HighMount s operations may require it to obtain permits for, among other things, air emissions, discharges into surface waters, and the construction and operation of underground injection wells or surface pits to dispose of produced saltwater and other non-hazardous oilfield wastes. HighMount could be required, without regard to fault or the legality of the original disposal, to remove or remediate previously disposed wastes, to suspend or cease operations in contaminated areas or to perform remedial well plugging operations or cleanups to prevent future contamination.

In September of 2009, the EPA adopted regulations under the Clean Air Act requiring the monitoring and reporting of annual greenhouse gas (GHG) emissions by certain large U.S. GHG emitters. Affected companies are required to monitor their GHG emissions and report to the EPA. Oil and gas exploration and production companies that emit more than 25,000 metric tons of GHG per year from any facility (as defined in the regulations), including HighMount, are required to monitor and report emissions for facilities that meet the emissions threshold. HighMount filed its GHG report in March of 2013 for the 2012 reporting year.

Properties: In addition to its interests in oil and gas producing properties, HighMount leases an aggregate of approximately 56,300 square feet of office space in Houston, Texas, which includes its corporate headquarters, and approximately 83,800 square feet of office space in Oklahoma City, Oklahoma. HighMount also leases other surface rights and office, warehouse and storage facilities necessary to operate its business. In addition to leased properties, HighMount also owns a 44,000 square foot office building in Sonora, Texas, and a 1,500 square foot office building in Morrison, Oklahoma.

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LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation (Loews Hotels), our wholly owned subsidiary, presently operate a chain of 18 primarily upper, upscale hotels. Each hotel in the chain is managed by Loews Hotels. Seven of these hotels are owned by Loews Hotels, seven are owned by joint ventures in which Loews Hotels has a significant equity interest and four are managed for unaffiliated owners. Loews Hotels earnings are derived from the operation of its wholly owned hotels, its share of earnings in joint venture hotels and hotel management fees earned from both joint venture and managed hotels. Loews Hotels accounted for 2.5%, 2.7% and 2.4% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011. The hotels are described below.

Name and Location	Number of Rooms
Owned (a):	
Loews Annapolis Hotel, Annapolis, Maryland	220
Loews Coronado Bay, San Diego, California (b)	440
Loews Miami Beach Hotel, Miami Beach, Florida	790
Loews Philadelphia Hotel, Philadelphia, Pennsylvania	585
Loews Regency Hotel, New York, New York (c)	379
Loews Vanderbilt Hotel, Nashville, Tennessee	340
Loews Hotel Vogue, Montreal, Canada	140
Joint Venture/Managed:	
The Don CeSar, a Loews Hotel, St. Pete Beach, Florida	347
Hard Rock Hotel, at Universal Orlando, Orlando, Florida	650
Loews Boston Hotel, Boston, Massachusetts	225
Loews Hollywood Hotel, Hollywood, California	632
Loews Madison Hotel, Washington, D.C.	356
Loews Portofino Bay Hotel, at Universal Orlando, Orlando, Florida	750
Loews Royal Pacific Resort, at Universal Orlando, Orlando, Florida	1,000
Management Contract:	
Loews Atlanta Hotel, Atlanta, Georgia	414
Loews New Orleans Hotel, New Orleans, Louisiana	285
Loews Santa Monica Beach Hotel, Santa Monica, California	340
Loews Ventana Canyon, Tucson, Arizona	400

(a) In February of 2014, the Loews LeConcorde Hotel in Quebec City, Canada was closed.
(b) The hotel has a land lease expiring in 2034.
(c) The hotel has a land lease expiring in 2036 with a renewal option for 24 years.
Under Construction: In 2013, Loews Hotels is a 50% partner in a joint venture which is constructing Cabana Bay Beach Resort, an 1,800 guestroom hotel at Universal Orlando, Florida. The first phase is expected to open early in 2014. Construction continues on the Loews Chicago Hotel, a 400 guestroom hotel which Loews Hotels agreed to purchase, upon completion of development expected to occur early in 2015.

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Competition: Competition from other hotels and lodging facilities 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.

EMPLOYEE RELATIONS

Including our operating subsidiaries as described below, we employed approximately 18,175 persons at December 31, 2013. We, and our subsidiaries, have experienced satisfactory labor relations.

CNA employed approximately 7,035 persons.

Diamond Offshore employed approximately 5,500 persons, including international crew personnel furnished through independent labor contractors.

Boardwalk Pipeline employed approximately 1,200 persons, approximately 110 of whom are union members covered under collective bargaining units.

HighMount employed approximately 400 persons.

Loews Hotels employed approximately 3,780 persons, approximately 1,100 of whom are union members covered under collective bargaining units.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
David B. Edelson	Senior Vice President	54	2005
Gary W. Garson	Senior Vice President, General Counsel and Secretary	67	1988
Peter W. Keegan	Senior Vice President and Chief Financial Officer	69	1997
Richard W. Scott	Senior Vice President and Chief Investment Officer	60	2009
Kenneth I. Siegel	Senior Vice President	56	2009
Andrew H. Tisch	Office of the President, Co-Chairman of the Board and Chairman of the Executive Committee	64	1985
James S. Tisch	Office of the President, President and Chief Executive Officer	61	1981
Jonathan M. Tisch	Office of the President and Co-Chairman of the Board	60	1987

Andrew H. Tisch and James S. Tisch are brothers and are cousins of Jonathan M. Tisch. None of the other officers or directors of Registrant is related to any other.

All of our executive officers except for Kenneth I. Siegel have been engaged actively and continuously in our business for more than the past five years. Prior to joining us in 2009, Mr. Siegel was employed as a Managing Director in the Mergers & Acquisitions Department at Barclays Capital Inc. and previously in a similar capacity at Lehman Brothers.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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AVAILABLE INFORMATION

Our website address is www.loews.com. We make available, free of charge, through the website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after these reports are electronically filed with or furnished to the SEC. Copies of our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Audit Committee charter, Compensation Committee charter and Nominating and Governance Committee charter have also been posted and are available on our website.

Item 1A. RISK FACTORS.

Our business faces many risks. We have described below some of the more significant risks which we and our subsidiaries face. There may be additional risks that we do not yet know of or that we do not currently perceive to be significant that may also impact our business or the business of our subsidiaries.

Each of the risks and uncertainties described below could lead to events or circumstances that have a material adverse effect on our business, results of operations, cash flows, financial condition or equity and/or the business, results of operations, financial condition or equity of one or more of our subsidiaries.

You should carefully consider and evaluate all of the information included in this Report and any subsequent reports we may file with the SEC or make available to the public before investing in any securities issued by us. Our subsidiaries, CNA Financial Corporation, Diamond Offshore Drilling, Inc. and Boardwalk Pipeline Partners, LP, are public companies and file reports with the SEC. You are also cautioned to carefully review and consider the information contained in the reports filed by those subsidiaries before investing in any of their securities.

Risks Related to Us and Our Subsidiary, CNA Financial Corporation

If CNA determines that its recorded insurance reserves are insufficient to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, CNA may need to increase its insurance reserves which would result in a charge to CNA s earnings.

CNA maintains insurance reserves to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, including the estimated cost of the claims adjudication process, for reported and unreported claims and for future policy benefits. Insurance reserves are not an exact calculation of liability but instead are complex estimates derived by CNA, generally utilizing a variety of reserve estimation techniques from numerous assumptions and expectations about future events, many of which are highly uncertain, such as estimates of claims severity, frequency of claims, mortality, morbidity, discount rates, inflation, claims handling, case reserving policies and procedures, underwriting and pricing policies, changes in the legal and regulatory environment and the lag time between the occurrence of an insured event and the time of its ultimate settlement. Mortality is the relative incidence of death. Morbidity is the frequency and severity of illness, sickness and diseases contracted. Many of these uncertainties are not precisely quantifiable and require significant judgment on CNA s part. As trends in underlying claims develop, particularly in so-called long-tail or long duration coverages, CNA is sometimes required to add to its reserves. This is called unfavorable net prior year development and results in a charge to earnings in the amount of the added reserves, recorded in the period the change in estimate is made. These charges can be substantial.

CNA is also subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social, economic and other environmental conditions change. These issues have had, and may continue to have, a negative effect on CNA s business by either extending coverage beyond the original

underwriting intent or by increasing the number or size of claims, resulting in further increases in CNA s reserves. The effects of these and other unforeseen emerging claim and coverage issues are extremely difficult to predict. Examples of emerging or potential claims and coverage issues include:

uncertainty in future medical costs in workers compensation. In particular, medical cost inflation could be greater than expected due to new treatments, drugs and devices; increased health care utilization; and/or the future costs of health care facilities. In addition, the relationship between workers compensation and

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- government and private health care providers could change, potentially shifting costs to workers compensation;
- increased uncertainty related to medical professional liability, medical products liability and workers compensation coverages resulting from the Patient Protection and Affordable Care Act;
- significant class action litigation; and
- mass tort claims, including bodily injury claims related to benzene, lead, noise induced hearing loss, injuries from various medical products including pharmaceuticals and various other chemical and radiation exposure claims.

In light of the many uncertainties associated with establishing the estimates and making the assumptions necessary to establish reserve levels, CNA reviews and changes its reserve estimates in a regular and ongoing process as experience develops and further claims are reported and settled. If estimated reserves are insufficient for any reason, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

CNA s key assumptions used to determine reserves for long term care products and payout annuity contracts could vary significantly from actual experience.

CNA s reserves for long term care products are based on key assumptions including morbidity, mortality, policy persistency (the percentage of policies remaining in force) and discount rate. These assumptions are critical bases for reserve estimates and, while monitored consistently, are inherently uncertain due to the limited historical data and industry data available to CNA, as only a small portion of the long term care policies which have been written to date are in claims paying status, and the potential changing trends in morbidity and mortality over time. Assumptions relating to mortality and discount rate also form the basis for reserve determination for payout annuity products.

A prolonged period during which interest rates remain at levels lower than those anticipated in CNA s reserving would result in shortfalls in investment income on assets supporting CNA s obligations under long term care policies and payout annuity contracts, which may also require changes to its reserves. This risk is more significant for long term care products because the long potential duration of the policy obligations exceeds the duration of the supporting investment assets. If estimated reserves are insufficient for any reason, including changes in assumptions, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

Catastrophe losses are unpredictable and could result in material losses.

Catastrophe losses are an inevitable part of CNA s business. Various events can cause catastrophe losses. These events can be natural or man-made, and may include hurricanes, windstorms, earthquakes, hail, severe winter weather, fires, floods, riots, strikes, civil commotion and acts of terrorism. The frequency and severity of these catastrophe events are inherently unpredictable. In addition, longer-term natural catastrophe trends may be changing and new types of catastrophe losses may be developing due to climate change, a phenomenon that has been associated with extreme weather events linked to rising temperatures, and includes effects on global weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain, hail and snow.

The extent of CNA s losses from catastrophes is a function of the total amount of its insured exposures in the affected areas, the frequency and severity of the events themselves, the level of reinsurance assumed and ceded and reinsurance reinstatement premiums, if any. As in the case of catastrophe losses generally, it can take a long time for the ultimate cost to CNA to be finally determined, as a multitude of factors contribute to such costs, including evaluation of general liability and pollution exposures, additional living expenses, infrastructure disruption, business interruption and reinsurance collectibility. Reinsurance coverage for terrorism events is provided only in limited circumstances, especially in regard to unconventional terrorism acts, such as nuclear, biological, chemical or radiological attacks. As a result, catastrophe losses are particularly difficult to estimate. Additionally, the U.S. government currently provides financial protection through the Terrorism Risk Insurance Program Reauthorization

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Act, which is set to expire December 31, 2014. Should that act expire without reauthorization or be reauthorized under materially different terms, CNA s net exposure to a significant terrorist event could increase.

CNA has exposure related to A&EP claims, which could result in material losses.

CNA s property and casualty insurance subsidiaries have exposures related to A&EP claims. CNA s experience has been that establishing claim and claim adjustment expense reserves for casualty coverages relating to A&EP claims is subject to uncertainties that are greater than those presented by other claims. Additionally, traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment expense reserves for A&EP. As a result, estimating the ultimate cost of both reported and unreported A&EP claims is subject to a higher degree of variability.

On August 31, 2010, CNA completed a retroactive reinsurance transaction under which substantially all of its legacy A&EP liabilities were ceded to National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., subject to an aggregate limit of $4.0 billion (Loss Portfolio Transfer). If the other parties to the Loss Portfolio Transfer do not fully perform their obligations, CNA s liabilities for A&EP claims covered by the Loss Portfolio Transfer exceed the aggregate limit of $4.0 billion, or CNA determines it has exposures to A&EP claims not covered by the Loss Portfolio Transfer, CNA may need to increase its recorded net reserves which would result in a charge against CNA s earnings. These charges could be substantial.

CNA s premium writings and profitability are affected by the availability and cost of reinsurance.

CNA purchases reinsurance to help manage its exposure to risk. Under CNA s ceded reinsurance arrangements, another insurer assumes a specified portion of CNA s exposure in exchange for a specified portion of policy premiums. Market conditions determine the availability and cost of the reinsurance protection CNA purchases, which affects the level of its business and profitability, as well as the level and types of risk CNA retains. If CNA is unable to obtain sufficient reinsurance at a cost it deems acceptable, CNA may be unwilling to bear the increased risk and would reduce the level of its underwriting commitments.

CNA may not be able to collect amounts owed to it by reinsurers which could result in higher net incurred losses.

CNA has significant amounts recoverable from reinsurers which are reported as receivables on its balance sheets and are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. The ceding of insurance does not, however, discharge CNA s primary liability for claims. As a result, CNA is subject to credit risk relating to its ability to recover amounts due from reinsurers. In the past, certain of CNA s reinsurance carriers have experienced credit downgrades by rating agencies within the term of CNA s contractual relationship. Such action increases the likelihood that CNA will not be able to recover amounts due. In addition, reinsurers could dispute amounts which CNA believes are due to it. If the amounts CNA collects from reinsurers are less than the amount recorded for any of the foregoing reasons, its net incurred losses will be higher.

CNA may not be able to collect amounts owed to it by policyholders who hold deductible policies which could result in higher net incurred losses.

A portion of CNA s business is written under deductible policies. Under these policies, CNA is obligated to pay the related insurance claims and are reimbursed by the policyholder to the extent of the deductible, which may be significant. As a result CNA is exposed to credit risk to the policyholder. If CNA is not able to collect the amounts due from policyholders, its incurred losses will be higher.

CNA may incur significant realized and unrealized investment losses and volatility in net investment income arising from changes in the financial markets.

CNA s investment portfolio is exposed to various risks, such as interest rate, credit, equity and currency risks, many of which are unpredictable. Financial markets are highly sensitive to changes in economic conditions, monetary policies, domestic and international geopolitical issues and many other factors. Changes in financial

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markets including fluctuations in interest rates, credit, equity and currency prices, and many other factors beyond CNA s control can adversely affect the value of its investments and the realization of investment income.

CNA has significant holdings in fixed maturity investments that are sensitive to changes in interest rates. A decline in interest rates may reduce the returns earned on new fixed maturity investments, thereby reducing CNA s net investment income, while an increase in interest rates may reduce the value of its existing fixed maturity investments. The value of CNA s fixed maturity investments is also subject to risk that certain investments may default or become impaired due to deterioration in the financial condition of issuers of the investments CNA holds. Any such impairments which CNA deems to be other-than-temporary would result in a charge to its earnings.

In addition, CNA invests a portion of its assets in equity securities and limited partnerships which are subject to greater market volatility than its fixed maturity investments. Limited partnership investments generally provide a lower level of liquidity than fixed maturity or equity investments and therefore may also limit CNA s ability to withdraw assets. As a result of all of these factors, CNA may not earn an adequate return on its investments, may incur losses on the disposition of its investments, and may be required to write-down the value of its investments.

CNA s valuation of investments and impairment of securities requires significant judgment which is inherently uncertain.

CNA exercises significant judgment in analyzing and validating fair values, which are primarily provided by third parties, for securities in its investment portfolio including those that are not regularly traded in active markets. CNA also exercises significant judgment in determining whether the impairment of particular investments is temporary or other-than-temporary. The valuation of residential and commercial mortgage and other asset backed securities can be particularly sensitive to fairly small changes in collateral performance. Due to the inherent uncertainties involved with these judgments, CNA may incur unrealized losses and conclude that other-than-temporary write-downs of its investments are required.

CNA is subject to capital adequacy requirements and, if it is unable to maintain or raise sufficient capital to meet these requirements, regulatory agencies may restrict or prohibit CNA from operating its business.

Insurance companies such as CNA are subject to capital adequacy standards set by regulators to help identify companies that merit further regulatory attention. These standards apply specified risk factors to various asset, premium and reserve components of statutory capital and surplus reported in CNA s statutory basis of accounting financial statements. Current rules, including those promulgated by insurance regulators and specialized markets such as Lloyd s, require companies to maintain statutory capital and surplus at a specified minimum level determined using the applicable regulatory capital adequacy formula. If CNA does not meet these minimum requirements, CNA may be restricted or prohibited from operating its business. If CNA is required to record a material charge against earnings in connection with a change in estimates or the occurrence of an event or if it incurs significant losses related to its investment portfolio, CNA may violate these minimum capital adequacy requirements unless it is able to raise sufficient additional capital. CNA may be limited in its ability to raise significant amounts of capital on favorable terms or at all.

CNA s insurance subsidiaries, upon whom CNA depends for dividends in order to fund its working capital needs, are limited by insurance regulators in their ability to pay dividends.

CNA is a holding company and is dependent upon dividends, loans and other sources of cash from its subsidiaries in order to meet its obligations. Ordinary dividend payments or dividends that do not require prior approval by the insurance subsidiaries domiciliary insurance regulator are generally limited to amounts determined by formula which

varies by jurisdiction. The formula for the majority of domestic states is the greater of 10% of the prior year statutory surplus or the prior year statutory net income, less the aggregate of all dividends paid during the twelve months prior to the date of payment. Some jurisdictions including certain domestic states, however, have an additional stipulation that dividends cannot exceed the prior year s earned surplus. If CNA is restricted, by regulatory rule or otherwise, from paying or receiving intercompany dividends, CNA may not be able to fund its working capital needs and debt service requirements from available cash. As a result, CNA would need to look to other sources of capital which may be more expensive or may not be available at all.

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Rating agencies may downgrade their ratings of CNA and thereby adversely affect its ability to write insurance at competitive rates or at all.

Ratings are an important factor in establishing the competitive position of insurance companies. CNA s insurance company subsidiaries, as well as CNA s public debt, are rated by rating agencies, namely, A.M. Best Company (A.M. Best), Moody s Investors Service, Inc. (Moody s) and Standard & Poor s (S&P). Ratings reflect the rating agen opinions of an insurance company s or insurance holding company s financial strength, capital adequacy, operating performance, strategic position and ability to meet its obligations to policyholders and debt holders.

Due to the intense competitive environment in which CNA operates, the uncertainty in determining reserves and the potential for CNA to take material unfavorable net prior year development in the future, and possible changes in the methodology or criteria applied by the rating agencies, the rating agencies may take action to lower CNA s ratings in the future. The severity of the impact on CNA s business is dependent on the level of downgrade and, for certain products, which rating agency takes the rating action. Among the adverse effects in the event of such downgrades would be the inability to obtain a material volume of business from certain major insurance brokers, the inability to sell a material volume of CNA s insurance products to certain markets, and the required collateralization of certain future payment obligations or reserves.

In addition, it is possible that a lowering of our corporate debt ratings by certain of the rating agencies could result in an adverse impact on CNA s ratings, independent of any change in CNA s circumstances.

Risks Related to Us and Our Subsidiary, Diamond Offshore Drilling, Inc.

Diamond Offshore s business depends on the level of activity in the oil and gas industry, which is significantly affected by volatile oil and gas prices.

Diamond Offshore s business depends on the level of activity in offshore oil and gas exploration, development and production in markets worldwide. Worldwide demand for oil and gas, oil and gas prices, market expectations of potential changes in these prices and a variety of political and economic factors significantly affect this level of activity. However, higher or lower commodity demand and prices do not necessarily translate into increased or decreased drilling activity since Diamond Offshore s customers project development time, reserve replacement needs, as well as expectations of future commodity demand and prices all combine to affect demand for Diamond Offshore s rigs. In addition, the level of offshore drilling activity may be adversely affected if operators reduce or defer new investment in offshore projects or reallocate their drilling budgets away from offshore drilling in favor of shale plays or other land-based energy markets, which could reduce demand for Diamond Offshore s rigs and newbuilds. Oil and gas prices have been, and are expected to continue to be, extremely volatile and are affected by numerous factors beyond Diamond Offshore s control, including:

- worldwide demand for oil and gas;
- the level of economic activity in energy-consuming markets;
- the worldwide economic environment or economic trends, such as recessions;

the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain production levels and pricing;

the level of production in non-OPEC countries;

the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities in the Middle East, other oil-producing regions or other geographic areas or further acts of terrorism in the United States or elsewhere;

civil unrest;

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the cost of exploring for, producing and delivering oil and gas;

the discovery rate of new oil and gas reserves;

the rate of decline of existing and new oil and gas reserves;

available pipeline and other oil and gas transportation and refining capacity;

the ability of oil and gas companies to raise capital;

weather conditions;

natural disasters or incidents resulting from operating hazards inherent in offshore drilling, such as oil spills;

the policies of various governments regarding exploration and development of their oil and gas reserves;

development and exploitation of alternative fuels or energy sources;

competition for customers drilling budgets from land-based energy markets around the world;

laws and regulations relating to environmental or energy security matters, including those addressing the risks of global climate change;

domestic and foreign tax policy; and

advances in exploration and development technology.

Diamond Offshore s business involves numerous operating hazards which could expose it to significant losses and significant damage claims. Diamond Offshore is not fully insured against all of these risks and its contractual indemnity provisions may not fully protect Diamond Offshore.

Diamond Offshore s operations are subject to the significant hazards inherent in drilling for oil and gas offshore, such as blowouts, reservoir damage, loss of production, loss of well control, unstable or faulty sea floor conditions, fires and natural disasters such as hurricanes. The occurrence of any of these types of events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel, damage to producing or potentially productive oil and gas formations, and oil spillage, oil leaks, well blowouts and extensive uncontrolled fires, any of which could cause significant environmental damage. In addition, offshore drilling

operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of suppliers or subcontractors to perform or supply goods or services or personnel shortages.

Diamond Offshore s drilling contracts with its customers provide for varying levels of indemnity and allocation of liabilities between its customers and Diamond Offshore with respect to the hazards and risks inherent in, and damages or losses arising out of, its operations, and Diamond Offshore may not be fully protected. Diamond Offshore s contracts with its customers generally provide that Diamond Offshore and its customers each assume liability for their respective personnel and property. Diamond Offshore s contracts also generally provide that its customers assume most of the responsibility for and indemnify Diamond Offshore against loss, damage or other liability resulting from, among other hazards and risks, pollution originating from the well and subsurface damage or loss, while Diamond Offshore typically retains responsibility for and indemnifies its customers against pollution originating from the rig. However, in certain drilling contracts Diamond Offshore may not be fully indemnified by its customers for damage to their property and/or the property of their other contractors. In certain contracts Diamond Offshore may assume liability for losses or damages (including punitive damages) resulting from pollution or contamination caused by negligent or willful acts of commission or omission by Diamond Offshore, its suppliers and/or subcontractors, generally subject to negotiated caps on a per occurrence basis and/or on an aggregate basis for the term of the contract. In some cases, suppliers or subcontractors who provide equipment or services to

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Diamond Offshore may seek to limit their liability resulting from pollution or contamination. Diamond Offshore s contracts are individually negotiated, and the levels of indemnity and allocation of liabilities in them can vary from contract to contract depending on market conditions, particular customer requirements and other factors existing at the time a contract is negotiated.

Additionally, the enforceability of indemnification provisions in Diamond Offshore s contracts may be limited or prohibited by applicable law or may not be enforced by courts having jurisdiction, and Diamond Offshore could be held liable for substantial losses or damages and for fines and penalties imposed by regulatory authorities. The indemnification provisions of Diamond Offshore s contracts may be subject to differing interpretations, and the laws or courts of certain jurisdictions may enforce such provisions while other laws or courts may find them to be unenforceable, void or limited by public policy considerations, including when the cause of the underlying loss or damage is Diamond Offshore s gross negligence or willful misconduct, when punitive damages are attributable to Diamond Offshore or when fines or penalties are imposed directly against Diamond Offshore. The law with respect to the enforceability of indemnities varies from jurisdiction to jurisdiction and is unsettled under certain laws that are applicable to Diamond Offshore s contracts. Current or future litigation in particular jurisdictions, whether or not Diamond Offshore is a party, may impact the interpretation and enforceability of indemnification provisions in its contracts. There can be no assurance that Diamond Offshore s contracts with its customers, suppliers and subcontractors will fully protect it against all hazards and risks inherent in its operations. There can also be no assurance that those parties with contractual obligations to indemnify Diamond Offshore will be financially able to do so or will otherwise honor their contractual obligations.

Diamond Offshore maintains liability insurance, which includes coverage for environmental damage; however, because of contractual provisions and policy limits, Diamond Offshore s insurance coverage may not adequately cover its losses and claim costs. In addition, pollution and environmental risks are generally not fully insurable when they are determined to be the result of criminal acts. Also, Diamond Offshore does not typically purchase loss-of-hire insurance to cover lost revenues when a rig is unable to work. Moreover, insurance costs across the industry have increased following the Macondo incident and, in the future, certain insurance coverage is likely to become more costly and may become less available or not available at all.

Diamond Offshore believes that the policy limit under its marine liability insurance is within the range that is customary for companies of its size in the offshore drilling industry and is appropriate for its business. However, if an accident or other event occurs that exceeds Diamond Offshore s coverage limits or is not an insurable event under its insurance policies, or is not fully covered by contractual indemnity, it could have a material adverse effect on its results of operations, financial condition and cash flows. There can be no assurance that Diamond Offshore will continue to carry the insurance it currently maintains, that its insurance will cover all types of losses or that Diamond Offshore will be able to maintain adequate insurance in the future at rates it considers to be reasonable or that Diamond Offshore will be able to obtain insurance against some risks.

Diamond Offshore s industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which at the present time has a dominant market share. Some of Diamond Offshore s competitors may have greater financial or other resources than it does. The drilling industry has experienced consolidation in the past and may experience additional consolidation, which could create additional large competitors. Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job; however, rig availability and location, a drilling contractor s safety record and the quality and technical capability of service and equipment may also be considered.

Diamond Offshore s industry has historically been cyclical. There have been periods of lower demand, excess rig supply and low dayrates, followed by periods of high demand, short rig supply and high dayrates. Diamond Offshore cannot predict the timing or duration of such business cycles. Periods of lower demand or excess rig supply intensify the competition in the industry and often result in periods of low utilization. During these periods, Diamond Offshore s existing rigs and newbuilds may not obtain contracts for future work and may be idle for long periods of time or may be able to obtain work only under contracts with lower dayrates or less favorable terms. Additionally, prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on certain of Diamond Offshore s drilling rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

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Significant new rig construction and upgrades of existing drilling rigs could also intensify price competition. Based on analyst reports, Diamond Offshore believes that there are approximately 100 floaters on order and scheduled for delivery between 2014 and 2016, with approximately 32% of these rigs scheduled for delivery in 2014. The resulting increases in rig supply could be sufficient to depress rig utilization and intensify price competition from both existing competitors, as well as new entrants into the offshore drilling market. Not all of the rigs currently under construction have been contracted for future work, which may further intensify price competition as scheduled delivery dates occur. The majority of the floaters on order are dynamically positioned drilling rigs, which further increases competition with Diamond Offshore s fleet in certain circumstances, depending on customer requirements. In Brazil, Petrobras, which accounted for approximately 34% of Diamond Offshore s consolidated revenues in 2013 and, as of February 5, 2014, accounted for approximately $1.0 billion and $500 million of contract drilling backlog in 2014 and in the aggregate for the years 2015 and 2016 and to which 10 of Diamond Offshore s floaters are currently contracted, has announced plans to construct locally 28 new ultra-deepwater drilling units to be delivered beginning in 2015. These new drilling rigs, if built, would increase rig supply and could intensify price competition in Brazil as well as other markets as they enter the market, would compete with, and could displace, both Diamond Offshore s deepwater and ultra-deepwater floaters coming off contract as well as its newbuilds coming to market and could materially adversely affect Diamond Offshore s utilization rates, particularly in Brazil.

Diamond Offshore may not be able to renew or replace expiring contracts for its existing rigs or obtain contracts for its uncontracted newbuilds.

Diamond Offshore has a number of customer contracts that will expire in 2014 and 2015. Additionally, certain of its newbuilds that are expected to come to market during 2014 are contracted on a short term basis or are currently uncontracted. Although Diamond Offshore will seek to secure contracts for these units before construction is completed, its ability to renew or replace expiring contracts or obtain new contracts, and the terms of any such contracts, will depend on various factors, including market conditions and the specific needs of its customers. Given the highly competitive and historically cyclical nature of the industry, Diamond Offshore may be required to renew or replace expiring contracts or obtain new contracts at dayrates that are below, and potentially substantially below, existing dayrates, or may be unable to secure contracts for these units.

Diamond Offshore can provide no assurance that its current backlog of contract drilling revenue will be ultimately realized.

As of February 5, 2014, Diamond Offshore s contract drilling backlog was approximately $6.8 billion for contracted future work extending, in some cases, until 2019. Generally, contract backlog only includes future revenues under firm commitments; however, from time to time, Diamond Offshore may report anticipated commitments for which definitive agreements have not yet been, but are expected to be, executed. Diamond Offshore can provide no assurance that it will be able to perform under these contracts due to events beyond its control or that Diamond Offshore will be able to ultimately execute a definitive agreement in cases where one does not currently exist. In addition, Diamond Offshore can provide no assurance that its customers will be able to or willing to fulfill their contractual commitments. Diamond Offshore s inability to perform under its contractual obligations or to execute definitive agreements, or its customers inability or unwillingness to fulfill their contractual commitments, may have a material adverse effect on Diamond Offshore s business.

Diamond Offshore relies heavily on a relatively small number of customers and the loss of a significant customer and/or a dispute that leads to the loss of a customer could have a material adverse impact on its financial results.

Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. In 2013, Diamond Offshore s five largest customers in the

aggregate accounted for 54% of its consolidated revenues. Diamond Offshore expects Petrobras, which accounted for approximately 34% of Diamond Offshore s consolidated revenues in 2013, to continue to be a significant customer in 2014. Diamond Offshore s contract drilling backlog, as of February 5, 2014, includes $1.0 billion, or 36%, in 2014 and $500 million in aggregate for the years 2015 and 2016, which is attributable to contracts with Petrobras for operations offshore Brazil. Petrobras has announced plans to construct locally, 28 new ultra-deepwater drilling units to be delivered beginning in 2015. These new drilling units, if built, would compete with, and could displace, Diamond Offshore s deepwater and ultra-deepwater floaters coming off contract and could

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materially adversely affect utilization rates, particularly in Brazil. In addition, if Petrobras or another significant customer experiences liquidity constraints or other financial difficulties, it could materially adversely affect Diamond Offshore s utilization rates in Brazil or other markets and also displace demand for its other drilling rigs and newbuilds as the resulting excess supply enters the market. While it is normal for Diamond Offshore s customer base to change over time as work programs are completed, the loss of, or a significant reduction in the number of rigs contracted with, any major customer may have a material adverse effect on Diamond Offshore s business.

The terms of Diamond Offshore s drilling contracts may limit its ability to attain profitability in a declining market or to benefit from increasing dayrates in an improving market.

The duration of offshore drilling contracts is generally determined by customer requirements and, to a lesser extent, the respective management strategies of the offshore drilling contractors. In periods of decreasing demand for offshore rigs, drilling contractors generally prefer longer term contracts to preserve dayrates at existing levels and ensure utilization, while customers prefer shorter contracts that allow them to more quickly obtain the benefit of lower dayrates. Conversely, in periods of rising demand for offshore rigs, contractors typically prefer shorter contracts that allow them to more quickly profit from increasing dayrates, while customers with reasonably definite drilling programs typically prefer longer term contracts to maintain dayrate prices at a consistent level. Diamond Offshore may be exposed to decreasing dayrates if any of its rigs are working under short term contracts during a declining market. Likewise, if any of its rigs are committed under long term contracts during an improving market, Diamond Offshore may be unable to enjoy the benefit of rising dayrates for the duration of those contracts. Exposure to falling dayrates in a declining market or the inability to fully benefit from increasing dayrates in an improving market through shorter term contracts may limit Diamond Offshore s profitability.

Contracts for Diamond Offshore s drilling rigs are generally fixed dayrate contracts, and increases in Diamond Offshore s operating costs could adversely affect the profitability on those contracts.

Diamond Offshore s contracts for its drilling rigs provide for the payment of a fixed dayrate per rig operating day, although some contracts do provide for a limited escalation in dayrate due to increased operating costs incurred by Diamond Offshore. Many of Diamond Offshore s operating costs, such as labor costs, are unpredictable and fluctuate based on events beyond Diamond Offshore s control. In addition, equipment repair and maintenance expenses fluctuate depending on the type of activity the rig is performing, the age and condition of the equipment and general market factors impacting relevant parts, components and services. The gross margin that Diamond Offshore realizes on these fixed dayrate contracts will fluctuate based on variations in Diamond Offshore s operating costs over the terms of the contracts. In addition, for contracts with dayrate escalation clauses, Diamond Offshore may be unable to fully recover increased or unforeseen costs from its customers.

Diamond Offshore s drilling contracts may be terminated due to events beyond its control.

Diamond Offshore s customers may terminate some of their term drilling contracts if the drilling rig is destroyed or lost or if Diamond Offshore has to suspend drilling operations 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, some of Diamond Offshore s drilling contracts permit the customer to terminate the contract after specified notice periods by tendering contractually specified termination amounts. These termination payments may not fully compensate Diamond Offshore for the loss of a contract. In some cases, because of depressed market conditions, restricted credit markets, economic downturns or other factors beyond Diamond Offshore s control, its customers may repudiate or otherwise fail to perform their obligations under Diamond Offshore s contracts with them. Any recovery Diamond Offshore might obtain in these cases may not fully compensate it for the loss of the contract. In any case, the early termination of a contract may result in a rig being idle for an extended period of time, which could have a material

adverse effect on Diamond Offshore s financial condition, results of operations and cash flows. If Diamond Offshore s customers cancel some of their contracts or if Diamond Offshore elects to terminate in the event that a customer fails to perform, and are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are disputed or suspended for an extended period of time or if a number of Diamond Offshore s contracts are renegotiated, it could materially and adversely affect Diamond Offshore s financial condition, results of operations and cash flows.

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Significant portions of Diamond Offshore s operations are conducted outside the United States and involve additional risks not associated with domestic operations.

Diamond Offshore operates in various regions throughout the world which may expose it to political and other uncertainties, including risks of:

war, riot, civil disturbances and acts of terrorism;

piracy or assaults on property or personnel;

kidnapping of personnel;

seizure, expropriation, nationalization, deprivation, malicious damage, or other loss of possession or use of property or equipment;

renegotiation or nullification of existing contracts;

disputes and legal proceedings in international jurisdictions;

changing social, political and economic conditions;

imposition of wage and price controls, trade barriers or import-export quotas;

foreign and domestic monetary policies;

the inability to repatriate income or capital;

difficulties in collecting accounts receivable and longer collection periods;

fluctuations in currency exchange rates;

regulatory or financial requirements to comply with foreign bureaucratic actions;

travel limitations or operational problems caused by public health threats;

difficulties in supplying, repairing or replacing equipment or transporting personnel in remote locations;

difficulties in obtaining visas or work permits for employees on a timely basis; and

changing taxation policies and confiscatory or discriminatory taxation.

Diamond Offshore is subject to the U.S. Treasury Department s Office of Foreign Assets Control and other U.S. laws and regulations governing its international operations in addition to worldwide anti-bribery laws. In addition, international contract drilling operations are subject to various laws and regulations in countries in which Diamond Offshore operates, including laws and regulations relating to:

the equipping and operation of drilling rigs;

import - export quotas or other trade barriers;

repatriation of foreign earnings or capital;