LOEWS CORP
Form 10-Q
May 01, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

Yes x No ¨

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

Yes x No ¨ Not Applicable ¨

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

Class	Outstanding at April 20, 2012
Common stock, $0.01 par value	396,836,271 shares

Table of Contents

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	March 31, 2012	December 31, 2011
Assets:		
Investments:		
Fixed maturities, amortized cost of $38,171 and $37,466	**$ 41,173**	$ 40,040
Equity securities, cost of $962 and $902	**1,026**	927
Limited partnership investments	**2,909**	2,711
Other invested assets, primarily mortgage loans	**292**	245
Short term investments	**5,558**	5,105
Total investments	**50,958**	49,028
Cash	**99**	129
Receivables	**9,409**	9,259
Property, plant and equipment	**13,522**	13,618
Goodwill	**908**	908
Other assets	**1,366**	1,357
Deferred acquisition costs of insurance subsidiaries	**576**	552
Separate account business	**402**	417
Total assets	**$ 77,240**	$ 75,268
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	**$ 24,203**	$ 24,303
Future policy benefits	**9,959**	9,810
Unearned premiums	**3,383**	3,250
Policyholders funds	**169**	191
Total insurance reserves	**37,714**	37,554
Payable to brokers	**920**	162
Short term debt	**88**	88
Long term debt	**8,954**	8,913
Deferred income taxes	**937**	622
Other liabilities	**4,104**	4,309
Separate account business	**402**	417
Total liabilities	**53,119**	52,065

Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 396,834,820 and 396,585,226 shares	**4**	4
Additional paid-in capital	**3,538**	3,494
Retained earnings	**15,232**	14,890
Accumulated other comprehensive income	**654**	384
Total shareholders equity	**19,428**	18,772
Noncontrolling interests	**4,693**	4,431
Total equity	**24,121**	23,203
Total liabilities and equity	**$ 77,240**	$ 75,268

See accompanying Notes to Consolidated Condensed Financial Statements.

3

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

Three Months Ended March 31	**2012**	2011
(In millions, except per share data)		
Revenues:		
Insurance premiums	**$ 1,649**	$ 1,615
Net investment income	**726**	661
Investment losses:		
Other-than-temporary impairment losses	**(15)**	(20)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)	**(12)**	(21)
Net impairment losses recognized in earnings	**(27)**	(41)
Other net investment gains	**59**	64
Total investment gains	**32**	23
Contract drilling revenues	**755**	789
Other	**582**	580
Total	**3,744**	3,668
Expenses:		
Insurance claims and policyholders benefits	**1,381**	1,364
Amortization of deferred acquisition costs	**295**	297
Contract drilling expenses	**397**	362
Other operating expenses	**819**	737
Interest	**111**	151
Total	**3,003**	2,911
Income before income tax	**741**	757
Income tax expense	**(222)**	(195)
Net income	**519**	562
Amounts attributable to noncontrolling interests	**(152)**	(183)
Net income attributable to Loews Corporation	**$ 367**	$ 379
Basic net income per share	**$ 0.93**	$ 0.92
Diluted net income per share	**$ 0.92**	$ 0.92
Dividends per share	**$ 0.0625**	$ 0.0625

Weighted-average shares outstanding:		
Shares of common stock	**396.77**	412.90
Dilutive potential shares of common stock	**0.67**	0.93
Total weighted-average shares outstanding assuming dilution	**397.44**	413.83

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Three Months Ended March 31	**2012**	2011
(In millions)		
Net income	**$ 519**	$ 562
Other comprehensive income (loss)		
Changes in:		
Net unrealized gains on investments with other-than-temporary impairments	**40**	38
Net other unrealized gains on investments	**217**	23
Total unrealized gains on available-for-sale investments	**257**	61
Unrealized gains (losses) on cash flow hedges	**15**	(17)
Foreign currency	**21**	26
Pension liability	**7**	
Other comprehensive income	**300**	70
Comprehensive income	**819**	632
Amounts attributable to noncontrolling interests	**(183)**	(189)
Total comprehensive income attributable to Loews Corporation	**$ 636**	$ 443

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

		Loews Corporation Shareholders					
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2011, as reported	$ 23,106	$ 4	$ 3,667	$ 14,564	$ 230	$ (15)	$ 4,656
Adjustment to initially apply updated guidance on accounting for costs associated with acquiring or renewing insurance contracts	(78)			(64)			(14)
Balance, January 1, 2011, as restated	23,028	4	3,667	14,500	230	(15)	4,642
Net income	562			379			183
Other comprehensive income	70				64		6
Dividends paid	(124)			(26)			(98)
Purchase of Loews treasury stock	(187)					(187)	
Issuance of Loews common stock	4		4				
Stock-based compensation	6		5				1
Other	5		(5)	(1)			11
Balance, March 31, 2011	$ 23,364	$ 4	$ 3,671	$ 14,852	$ 294	$ (202)	$ 4,745
Balance, January 1, 2012, as reported	**$ 23,273**	**$ 4**	**$ 3,499**	**$ 14,957**	**$ 375**	**$**	**$ 4,438**
Adjustment to initially apply updated guidance on accounting for costs associated with acquiring or renewing insurance contracts	**(70)**		**(5)**	**(67)**	**9**		**(7)**
Balance, January 1, 2012, as restated	**23,203**	**4**	**3,494**	**14,890**	**384**		**4,431**
Net income	**519**			**367**			**152**
Other comprehensive income	**300**				**269**		**31**
Dividends paid	**(133)**			**(25)**			**(108)**
Issuance of equity securities by subsidiary	**222**		**36**		**1**		**185**
Issuance of Loews common stock	**5**		**5**				
Stock-based compensation	**6**		**5**				**1**
Other	**(1)**		**(2)**				**1**
Balance, March 31, 2012	**$ 24,121**	**$ 4**	**$ 3,538**	**$ 15,232**	**$ 654**	**$**	**$ 4,693**

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended March 31	2012	2011
(In millions)		
Operating Activities:		
Net income	**$ 519**	$ 562
Adjustments to reconcile net income to net cash provided (used) by operating activities, net	**270**	164
Changes in operating assets and liabilities, net:		
Receivables	**142**	138
Deferred acquisition costs	**(15)**	(15)
Insurance reserves	**99**	45
Other assets	**(6)**	10
Other liabilities	**(187)**	(297)
Trading securities	**(494)**	522
Net cash flow operating activities	**328**	1,129
Investing Activities:		
Purchases of fixed maturities	**(2,842)**	(3,480)
Proceeds from sales of fixed maturities	**1,929**	1,893
Proceeds from maturities of fixed maturities	**683**	965
Purchases of equity securities	**(12)**	(34)
Proceeds from sales of equity securities	**19**	128
Purchases of property, plant and equipment	**(238)**	(150)
Deposits for construction of offshore drilling equipment		(309)
Dispositions	**41**	
Change in short term investments	**(88)**	277
Change in other investments	**(17)**	(114)
Other, net	**12**	8
Net cash flow investing activities	**(513)**	(816)
Financing Activities:		
Dividends paid	**(25)**	(26)
Dividends paid to noncontrolling interests	**(108)**	(98)
Purchases of treasury shares		(188)
Issuance of common stock	**5**	4
Proceeds from sale of subsidiary stock	**245**	6
Principal payments on debt	**(331)**	(913)
Issuance of debt	**370**	904
Other, net	**(2)**	(1)
Net cash flow financing activities	**154**	(312)

Effect of foreign exchange rate on cash	**1**	2
Net change in cash	**(30)**	3
Cash, beginning of period	**129**	120
Cash, end of period	**$ 99**	$ 123

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary); interstate transportation and storage of natural gas (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 61% owned subsidiary); exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); and the operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). In the first quarter of 2012, Boardwalk Pipeline sold 9.2 million common units through a public offering for $245 million, reducing the Company s ownership interest from 64% to 61%. Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) Loews as used herein means Net income (loss) attributable to Loews Corporation.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2012 and December 31, 2011 and the results of operations, comprehensive income and changes in shareholders equity and cash flows for the three months ended March 31, 2012 and 2011.

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

Reference is made to the Notes to Consolidated Financial Statements in the 2011 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted earnings per share on the Consolidated Condensed Statements of Income. Basic earnings per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock appreciation rights (SARs) of 2.2 million and 1.9 million shares were not included in the diluted weighted average shares amount for the three months ended March 31, 2012 and 2011 due to the exercise price being greater than the average stock price.

Impairment of Natural Gas and Oil Properties For the three months ended March 31, 2012, HighMount recorded a non-cash ceiling test impairment charge of $44 million ($28 million after tax) related to its carrying value of natural gas and oil properties. The impairment was recorded as a credit to Accumulated depreciation, depletion and amortization. The write-down was the result of declines in natural gas prices. Had the effects of HighMount s cash flow hedges not been considered in calculating the ceiling limitation, the impairment would have been $69 million ($44 million after tax).

Hardy Underwriting Bermuda Limited (Hardy) On March 21, 2012, CNA announced an agreement to acquire Hardy, a specialized Lloyd s underwriter, in a cash acquisition for approximately $227 million. Hardy underwrote approximately $430 million in gross written premiums in 2011. Subject to regulatory approvals and other conditions, the acquisition is expected to be completed during the second quarter of 2012. As of March 31, 2012, $230 million of short term investments were held in escrow in British pounds to fund the acquisition.

Accounting Changes In October of 2010, the Financial Accounting Standards Board issued updated accounting guidance which limits the capitalization of costs incurred to acquire or renew insurance contracts to those that are incremental direct costs of successful contract acquisitions. The previous guidance allowed the capitalization of acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts, whether the costs related to successful or unsuccessful efforts.

As of January 1, 2012, the Company adopted the updated accounting guidance prospectively as of January 1, 2004, the earliest date practicable. Due to the lack of available historical data related to certain accident and health contracts issued prior to January 1, 2004, a full retrospective application of the change in accounting guidance was impracticable. Acquisition costs capitalized prior to January 1, 2004 will continue to be accounted for under the previous accounting guidance and will be amortized over the premium-paying period of the related policies using assumptions consistent with those used for computing future policy benefit reserves for such contracts.

8

Table of Contents

The Company has adjusted its previously reported financial information included herein to reflect the change in accounting guidance for deferred acquisition costs. The impacts of adopting the new accounting standard on the Company s Consolidated Condensed Balance Sheet as of December 31, 2011 were a $106 million decrease in Deferred acquisition costs of insurance subsidiaries and a $37 million decrease in Deferred income tax liabilities. The impacts to Accumulated other comprehensive income (AOCI) and Additional paid-in capital (APIC) were the result of the indirect effects of the Company s adoption of this guidance on Shadow Adjustments, as further discussed in Note 2, and CNA s acquisition of the noncontrolling interest of CNA Surety in 2011.

The impacts on the Company s Consolidated Condensed Statement of Income for the three month period ended March 31, 2011 were a $48 million decrease in Amortization of deferred acquisition costs, a $52 million increase in Other operating expenses and a $1 million decrease in Income tax expense, resulting in a $3 million decrease in Net income. There were no changes to net cash flows from operating, investing or financing activities for the comparative period presented as a result of the adoption of the new accounting standard.

2. Investments

Net investment income is as follows:

Three Months Ended March 31	**2012**	2011
(In millions)		
Fixed maturity securities	**$ 516**	$ 506
Short term investments	**3**	3
Limited partnerships	**143**	134
Equity securities	**4**	6
Income from trading portfolio (a)	**70**	23
Other	**4**	4
Total investment income	**740**	676
Investment expenses	**(14)**	(15)
Net investment income	**$ 726**	$ 661

(a) Includes net unrealized gains related to changes in fair value on trading securities still held of $36 million and $21 million for the three months ended March 31, 2012 and 2011.

Investment gains (losses) are as follows:

Three Months Ended March 31	**2012**	2011
(In millions)		
Fixed maturity securities	**$ 30**	$ 20
Equity securities	**1**	
Derivative instruments	**(1)**	(1)
Short term investments		2
Other	**2**	2
Investment gains (a)	**$ 32**	$ 23

(a) Includes gross realized gains of $72 million and $93 million and gross realized losses of $41 million and $73 million on available-for-sale securities for the three months ended March 31, 2012 and 2011.

Table of Contents

The components of other-than-temporary impairment (OTTI) losses recognized in earnings by asset type are as follows:

Three Months Ended March 31 (In millions)	2012	2011
Fixed maturity securities available-for-sale:		
Corporate and other bonds	$ 10	$ 9
Asset-backed:		
Residential mortgage-backed	14	28
U.S. Treasury and obligations of government-sponsored enterprises	1	
Total fixed maturities available-for-sale	25	37
Equity securities available-for-sale:		
Common stock	2	3
Preferred stock		1
Total equity securities available-for-sale	2	4
Net OTTI losses recognized in earnings	$ 27	$ 41

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

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

The Impairment Committee s assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that CNA intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include: (i) the financial condition and near term prospects of the issuer, (ii) whether the debtor is current on interest and principal payments, (iii) credit ratings of the securities and (iv) general market conditions and industry or sector specific outlook. CNA also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities.

The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

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

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

Table of Contents

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

March 31, 2012	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	$ 19,324	$ 2,013	$ 61	$ 21,276	
States, municipalities and political subdivisions	9,234	1,042	93	10,183	
Asset-backed:					
Residential mortgage-backed	5,958	175	139	5,994	$ 37
Commercial mortgage-backed	1,297	68	36	1,329	(2)
Other asset-backed	1,022	18	1	1,039	
Total asset-backed	8,277	261	176	8,362	35
U.S. Treasury and obligations of government-sponsored enterprises	224	12		236	
Foreign government	634	21		655	
Redeemable preferred stock	105	8		113	
Fixed maturities available-for-sale	37,798	3,357	330	40,825	35
Fixed maturities, trading	373		25	348	
Total fixed maturities	38,171	3,357	355	41,173	35
Equity securities:					
Common stock	32	17	1	48	
Preferred stock	246	4		250	
Equity securities available-for-sale	278	21	1	298	
Equity securities, trading	684	107	63	728	
Total equity securities	962	128	64	1,026	
Total	$ 39,133	$ 3,485	$ 419	$ 42,199	$ 35

December 31, 2011					
Fixed maturity securities:					
Corporate and other bonds	$ 19,086	$ 1,946	$ 154	$ 20,878	
States, municipalities and political subdivisions	9,018	900	136	9,782	
Asset-backed:					
Residential mortgage-backed	5,786	172	183	5,775	$ 99
Commercial mortgage-backed	1,365	48	59	1,354	(2)
Other asset-backed	946	13	4	955	
Total asset-backed	8,097	233	246	8,084	97
U.S. Treasury and obligations of government-sponsored enterprises	479	14		493	

Foreign government	608	28		636	
Redeemable preferred stock	51	7		58	
Fixed maturities available-for-sale	37,339	3,128	536	39,931	97
Fixed maturities, trading	127		18	109	
Total fixed maturities	37,466	3,128	554	40,040	97
Equity securities:					
Common stock	30	17		47	
Preferred stock	258	4	5	257	
Equity securities available-for-sale	288	21	5	304	
Equity securities, trading	614	76	67	623	
Total equity securities	902	97	72	927	
Total	$ 38,368	$ 3,225	$ 626	$ 40,967	$ 97

11

Table of Contents

The net unrealized gains on investments included in the tables above are recorded as a component of AOCI. When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. At March 31, 2012 and December 31, 2011, the net unrealized gains on investments included in AOCI were net of Shadow Adjustments of $676 million and $651 million. To the extent that unrealized gains on fixed income securities supporting certain products within CNA s Life & Group Non-Core segment would result in a premium deficiency if realized, a related decrease in Deferred acquisition costs, and/or increase in Insurance reserves are recorded, net of tax and noncontrolling interests, as a reduction through Other comprehensive income (Shadow Adjustments).

The available-for-sale securities in a gross unrealized loss position are as follows:

	Less than 12 Months		12 Months or Longer		Total	
March 31, 2012	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	**$ 1,635**	**$ 43**	**$ 124**	**$ 18**	**$ 1,759**	**$ 61**
States, municipalities and political subdivisions	**385**	**8**	**460**	**85**	**845**	**93**
Asset-backed:						
Residential mortgage-backed	**882**	**39**	**1,026**	**100**	**1,908**	**139**
Commercial mortgage-backed	**219**	**18**	**122**	**18**	**341**	**36**
Other asset-backed	**297**	**1**			**297**	**1**
Total asset-backed	**1,398**	**58**	**1,148**	**118**	**2,546**	**176**
Total fixed maturities available-for-sale	**3,418**	**109**	**1,732**	**221**	**5,150**	**330**
Equity securities available-for-sale:						
Common stock	**4**	**1**			**4**	**1**
Total	**$ 3,422**	**$ 110**	**$ 1,732**	**$ 221**	**$ 5,154**	**$ 331**
December 31, 2011						
Fixed maturity securities:						
Corporate and other bonds	$ 2,552	$ 126	$ 159	$ 28	$ 2,711	$ 154
States, municipalities and political subdivisions	67	1	721	135	788	136
Asset-backed:						
Residential mortgage-backed	719	36	874	147	1,593	183
Commercial mortgage-backed	431	39	169	20	600	59
Other asset-backed	389	4			389	4
Total asset-backed	1,539	79	1,043	167	2,582	246
Total fixed maturities available-for-sale	4,158	206	1,923	330	6,081	536
Equity securities available-for-sale:						
Preferred stock	117	5			117	5
Total	$ 4,275	$ 211	$ 1,923	$ 330	$ 6,198	$ 541

The amount of pretax net realized gains on available-for-sale securities reclassified out of AOCI into earnings was $32 million and $21 million for the three months ended March 31, 2012 and 2011.

The following table summarizes the activity for the three months ended March 31, 2012 and 2011 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at March 31, 2012 and 2011 for which a portion of an OTTI loss was recognized in Other comprehensive income.

Three Months Ended March 31	**2012**	2011
(In millions)		
Beginning balance of credit losses on fixed maturity securities	**$ 92**	$ 141
Additional credit losses for securities for which an OTTI loss was previously recognized	**11**	10
Credit losses for securities for which an OTTI loss was not previously recognized	**1**	1
Reductions for securities sold during the period		