



Office of the President
[from left to right]

Jonathan M. Tisch

Co-Chairman of the Board,
Chairman and Chief Executive Officer
Loews Hotels

Andrew H. Tisch

Co-Chairman of the Board,
and Chairman of the
Executive Committee

James S. Tisch

President and
Chief Executive Officer

letter to our shareholders and employees February 25, 2009

Most companies and investors were glad to turn the page on 2008, a year of extraordinary financial and economic turmoil. Although we were by no means unscathed, Loews Corporation has withstood the collapse of the credit markets and the slowing global economy, aided by our strong and liquid holding company balance sheet and conservative management philosophy.

Loews reported a loss from continuing operations of \$182 million in 2008, a substantial decline from our income from continuing operations of \$1.6 billion in 2007. While two of our energy subsidiaries — Diamond Offshore and Boardwalk Pipeline — posted record earnings, the results of HighMount, in its first full year as part of Loews, were hurt by non-cash impairment charges caused by the dramatic decline in natural gas prices that occurred during the latter part of 2008. CNA Financial turned in solid underwriting results in its core property and casualty insurance operations, although losses stemming from its investment portfolio led to disappointing overall results. Loews Hotels, our luxury lodging subsidiary, performed solidly, though the outlook is for a challenging lodging market in 2009.

*We reduced
our outstanding
shares by
18 percent.*

During 2008, we completed the tax-free separation of our tobacco subsidiary, Lorillard, and as part of this transaction, we reduced our outstanding shares of common stock by approximately 18 percent through an exchange offer. We wish much success for our former colleagues at Lorillard as they move forward as an independent, publicly traded company.

We also made significant equity investments in two Loews subsidiaries — CNA and Boardwalk Pipeline — supplying them with needed capital at a time when raising funds in the illiquid public markets would have been extraordinarily expensive. CNA and Boardwalk Pipeline are strong companies with excellent growth prospects, and we believe our additional investments in them represent value for Loews shareholders, as well as for those companies' minority shareholders.

*We finished
the year with
\$2.3 billion
of cash and
investments.*

It has long been Loews's practice to maintain a strong balance sheet. Preserving a large net cash balance has not always been fashionable, but it has enabled us to seize attractive opportunities and to assist our subsidiaries when they could not access the capital markets on reasonable terms. Benefiting from our subsidiaries' healthy cash-flow generation, we finished the year with holding company cash and investments of \$2.3 billion, even after investing \$2.5 billion in CNA and Boardwalk Pipeline.

Boardwalk Pipeline

Boardwalk Pipeline has pursued an organic growth strategy to transport natural gas from the prolific supply sources in Texas, Oklahoma and Arkansas. Its major pipeline expansion projects are nearly completed and, when fully operational, will approximately double pipeline system capacity since Boardwalk Pipeline went public in 2005.

When fully completed, we estimate that Boardwalk Pipeline's investments in these attractive expansion projects will total approximately \$4.8 billion. The initial rounds of project financing were funded through Boardwalk Pipeline's bank credit facility and a series of public debt and equity offerings. When massive turmoil in the capital markets raised the cost of financing to unreasonable levels, Loews helped Boardwalk Pipeline to finance the projects using holding company capital. We invested \$700 million in Class B units in the second quarter of 2008 and another \$500 million in common units in the fourth quarter of 2008.

CNA Financial

CNA continued to make progress during the year with its disciplined underwriting, stringent expense controls, better claims practices and other operating improvements. At the same time, the severe disruptions in the public securities markets led to losses in the company's investment portfolio and substantial reductions in investment income.

To help CNA maintain a position of strength during uncertain times, Loews purchased \$1.25 billion of a new series of CNA senior preferred stock in November 2008. CNA used the proceeds to increase the statutory surplus of its principal insurance subsidiary, Continental Casualty Company, which has been adversely impacted by losses in its investment portfolio.

While CNA's investment portfolio has incurred significant unrealized mark-to-market losses, the insurance holding company and its subsidiaries possess ample liquidity. CNA's cash flow from operations, along with cash generated from its investment portfolio, is more than sufficient to meet its policyholder claim obligations. CNA is under no pressure to sell securities at a loss to satisfy liquidity needs. Over time, assuming these securities recover in value or are redeemed at maturity, we expect CNA to recoup most of its unrealized losses and amortize them back into the company's book value.

We are very pleased that Tom Motamed has joined CNA as its new Chairman and Chief Executive Officer upon the retirement of Steve Lilienthal at year-end 2008. Tom served as Vice Chairman and Chief Operating Officer of The Chubb Corporation until June 2008. With his 30-plus years of experience at Chubb, Tom brings to CNA the experienced leadership of a proven insurance professional. At the same time, we will miss Steve. Under his leadership, CNA executed a successful turnaround, becoming a stronger, more focused and more competitive commercial property and casualty insurer. We wish him all the best in his retirement.

other subsidiary performances

Below are some operational highlights for our other subsidiaries:

- **Diamond Offshore** achieved record earnings, thanks to high utilization rates and record dayrates for its offshore drilling rigs. The dramatic fall in oil and natural gas prices during the second half of 2008, however, has begun to cause some deterioration in the offshore drilling sector.
- **HighMount** completed its first full year of operations within the Loews family. Natural gas prices have significantly declined from a peak of over \$14 per thousand cubic feet ("Mcf") in mid-2008 to approximately \$4 per Mcf in February of 2009. If prolonged, this price decline will negatively impact profits.
- **Loews Hotels** reported good results for the year, although the severe downturn in the economy will exert pressure on the entire lodging industry in 2009 amid cutbacks in leisure, business and group travel.

For further discussion of each subsidiary's performance in 2008, please refer to the "year in review" section, beginning on page 18.

2009 outlook

As we put our signatures to this letter, the U.S. and global economies are in recession, with the outlook for 2009 and beyond still highly uncertain. With our liquid balance sheet and conservative capital structure, Loews is positioned to weather difficult periods, as is each of our subsidiary companies.

The decline of major stock market indices over the past year has been severe, and unfortunately the price of Loews common stock has not escaped these market forces. Some reassurance may be found, however, when reviewing our stock performance over a longer timeframe, which helps to put any single year in a broader context. Over the past 50 years, Loews has delivered an annualized price appreciation of 16.1 percent, versus 5.7 percent for the S&P 500 Index.

March of 2009 marks the 50th anniversary of Loews's listing on the New York Stock Exchange. Since 1959, we have lived through many difficult markets and business cycles, learned valuable lessons about staying the course and emerged stronger as a result. We expect that the troubled economy will ultimately give way to recovery, and that we and our subsidiaries will benefit from opportunities that will surely emerge.

One important lesson the years have taught us: the performance of our company depends on the quality of our people. In that regard, we want to thank the employees of Loews and our subsidiaries for their dedication and effort. They, along with our disciplined approach to managing and investing, will bring us through these challenging times and allow us to continue building long-term value for our shareholders.

Sincerely,



James S. Tisch



Andrew H. Tisch



Jonathan M. Tisch

Office of the President
February 25, 2009

Loews: a financial portrait February 25, 2009

Loews Corporation is a diversified holding company rooted in the principles of value investing and focused on building long-term value as a means of generating wealth for our shareholders.

As a conglomerate, we have the freedom and flexibility to make investments and acquisitions across a broad spectrum of industries, wherever we perceive opportunity. We aim to achieve superior risk-adjusted returns for our shareholders in three ways: by optimizing our subsidiaries' operating performance and capital structure; by making opportune investments and acquisitions; and by effectively managing and allocating holding company capital. To facilitate each of these strategies, we maintain a conservatively capitalized and highly liquid balance sheet.

holding company approach

As a holding company, we closely monitor the performance of our subsidiaries, but do not participate in their day-to-day operations. We provide counsel on significant capital and strategic initiatives and then rely on experienced subsidiary management teams to make fundamental decisions about operating issues, product and service offerings, marketing, and long-range plans. Each subsidiary is headed by a chief executive officer who embraces our conservative, long-term approach to building shareholder value.

We believe that holders of Loews common stock benefit from the fact that three of our subsidiaries – Boardwalk Pipeline, CNA and Diamond Offshore – are publicly traded. We see three primary benefits for our shareholders:

- **Market valuation:** Third-party investors value these companies directly in the public equity markets, providing an objective measure of value for holders of Loews common stock.
- **Disclosure and governance:** As public companies, these subsidiaries provide financial disclosures in addition to those offered by the holding company, further enhancing transparency. Additionally, each publicly traded subsidiary is overseen by its own board, including independent directors.
- **Self-financing:** Public subsidiaries can directly access the capital markets to finance their operations and expansion plans. While the public markets have not

been a plentiful source of capital during recent months, our subsidiaries have historically been able to obtain financing on attractive terms.

The availability of public market valuations for three of our businesses also helps investors determine an estimated sum-of-the-parts valuation for Loews common stock. While we believe that Loews's true value is more than just the sum of its parts, such a readily calculable valuation metric is indeed beneficial to investors. On February 25, 2009, the value of Loews's 90 percent ownership of CNA common stock, our 50.4 percent ownership of Diamond Offshore common stock and our 69 percent limited partnership interest in Boardwalk Pipeline totaled approximately \$8.6 billion, or \$19.87 per share of Loews common stock. Other assets attributed to Loews common stock include our two wholly owned subsidiaries, HighMount and Loews Hotels; our 100 percent ownership of Boardwalk Pipeline's general partner; our holding company cash and investments net of holding company debt; and our holdings of CNA senior preferred stock and Boardwalk Pipeline Class B units.

Lorillard separation

In December of 2007, our Board of Directors approved plans for a tax-free separation of Lorillard Inc. to holders of Loews common stock and Carolina Group stock. We successfully completed this transaction in June 2008, creating significant value for both the holders of Loews common stock and the former holders of Carolina Group stock. Today, Lorillard is an independent publicly traded company (NYSE ticker symbol "LO").

patient investors

We are continually on the lookout for investment opportunities or acquisitions that will create value for the holders of Loews common stock. We employ a variety of metrics to evaluate each potential investment and to gauge the ongoing success of our subsidiaries. In general, we are drawn to companies with undervalued assets or the ability to generate stable cash flows for both internal reinvestment and the payment of dividends. We review opportunities across many industries and focus intently on understanding downside risks before turning our attention to potential returns.

There is a common thread connecting all of our investments and acquisitions over the years: each represented attractive value for Loews shareholders. For example, we acquired a controlling interest in CNA in 1974 at a time when the insurance industry was out of favor. In the late 1980s, we created a subsidiary to buy offshore drilling rigs at the historically low prices then prevailing. We formed Diamond Offshore with these initial rigs and, in 1995, took the company public. In 2003, we acquired Texas Gas Transmission at a time when several owners of natural gas pipelines were experiencing financial distress. In 2004, we acquired Gulf South Pipeline, which fit hand-in-glove with Texas Gas, and a year later we formed Boardwalk Pipeline as a master limited partnership. We contributed both Texas Gas and Gulf South to this partnership and took it public in 2005 while retaining complete ownership of the general partner. In 2007, we formed a new subsidiary, HighMount Exploration & Production LLC, which purchased natural gas exploration and production assets from Dominion Resources. This acquisition was motivated by our positive view of the U.S. natural gas industry over the long term.

In these challenging times, preservation of shareholder value takes precedence over the pursuit of a potentially ill-timed or risky transaction. Across most asset classes, valuations have fallen to historic lows, leading some to

ask whether acquisitions are becoming attractive or whether prices are likely to fall further. Neither we nor anyone else has the answer at the moment. Perhaps in a year's time we will be able to look back and know with certainty when the markets reached bottom. For now, however, uncertainty reigns, and in these circumstances we feel no pressure to invest.

share repurchases

We strive to allocate our capital for superior returns that will ultimately be reflected in the price of Loews common stock. Over the years, repurchasing our shares has been an important means of pursuing this goal. In effect, we apply the same value-investing principles to the repurchase of Loews common stock that we would to any other investment decision. The repurchases that we have made over the years have benefited our shareholders by giving them an increased stake in Loews and its subsidiaries.

In each of the previous three decades — the 70s, 80s, and 90s — we repurchased more than 25 percent of our common shares that were outstanding at the decade's start. As part of the separation of Lorillard in June 2008, Loews completed an exchange offer that resulted in the retirement of 93.5 million shares of Loews common stock, representing 17.6 percent of our outstanding shares. Including the exchange offer, we have reduced our outstanding shares of common stock by more than 30 percent since 2000, continuing the trend for a fourth consecutive decade. Our share buybacks over the years have supported the long-term performance of Loews common stock.

holding company cash flow (in millions)	
cash & investments, Jan 1, 2008	\$3,758
dividends from subsidiaries	1,263
sale of Bulova	263
repurchase of Loews common stock	(33)
debt-related payments, net	(35)
other operating cash flow, net	(202)
dividends paid (Loews and former Carolina Group stock)	(219)
investment in Boardwalk Pipeline securities	(1,200)
investment in CNA cumulative senior preferred stock	(1,250)
cash & investments, Dec 31, 2008	\$2,345

Loews receives significant cash inflows from our subsidiaries.

diversified cash flows

Our holding company's strong liquidity position is made possible by significant and diversified cash inflows from our subsidiaries. In 2008, the dividends received from our subsidiaries totaled \$1,263 million, including \$491 million from Lorillard.

Diamond Offshore has a policy of considering the payment of a special dividend each quarter, in addition to its regular quarterly dividend. In 2008, the company paid to Loews \$429 million in dividends, of which \$394 million was from special dividends. In February 2009, Diamond Offshore's board declared quarterly dividends representing \$140 million in cash flow to Loews. It is important to note that in its decision whether to declare a special dividend, Diamond Offshore's board will consider the company's financial position, earnings, earnings outlook, capital spending plans and other relevant factors at that time.

Boardwalk Pipeline is an important source of cash flow for Loews, contributing more than \$180 million in partner distributions in 2008. As a master limited partnership, Boardwalk Pipeline makes quarterly cash distributions

to its general partner — wholly owned by Loews — and to its limited partners. As Boardwalk Pipeline raises its distributions, Loews receives an increasing percentage of the partnership's payout through our ownership of the general partner. Since going public in late 2005, Boardwalk Pipeline has increased the distribution per partnership unit each quarter, including the most recent unit distribution of \$0.48 paid in February 2009.

Prior to Loews's \$1.25 billion preferred stock investment in CNA in November 2008, at which time CNA's common dividend was suspended, CNA had paid more than \$100 million in common dividends to Loews during 2008. If the CNA board so declares, the preferred shares will pay dividends to Loews of 10 percent per annum until the preferred shares are redeemed — or until 2013, when the dividend rate will be reset to the higher of a floating rate or 10 percent.

In addition to cash flow received from subsidiaries, Loews earns interest and dividend income from its portfolio of cash and investments and generates investment gains and losses. In 2008, Loews posted investment losses in our trading portfolio.

investment policy

We manage the holding company's cash and investments and also provide investment services to our subsidiaries. Our portfolio management team consists of experienced investment professionals with expertise in the specific asset classes they manage.

Our priorities in managing holding company cash and investments are to protect principal and optimize liquidity. We attempt to limit excessive market and credit risk and seek to maintain ready access to funds by investing primarily in short-term U.S. Treasury and investment-grade assets. In order to optimize returns, we invest a relatively small portion of the portfolio in common stocks, which in 2008 suffered significant mark-to-market losses.

CNA's investment portfolio had a market value of \$35 billion at year-end 2008, with approximately 93 percent composed of fixed-maturity securities and short-term investments, and the balance primarily in limited partnerships and equities. We largely follow a total return approach in providing investment services to CNA. A primary objective in the management of CNA's investment portfolio is to optimize returns relative to underlying liabilities and respective liquidity needs. Two important considerations are the characteristics of the underlying liabilities and the ability to align the duration of the portfolio with those liabilities in order to meet future liquidity needs, minimize interest-rate risk, and maintain a level of income sufficient to support the underlying insurance liabilities.

Prevailing conditions in the fixed income markets have resulted in significant realized and unrealized losses in CNA's investment portfolio. While the unrealized losses were substantial, it is important to note that CNA has expressed the intent and ability to hold the bulk of these securities until prices recover, either when credit spreads return to more normal levels or at their maturity.

Loews's and CNA's investments in common stocks are managed by our equity portfolio managers. We have allocated a majority of our investments in common stocks to third-party limited partnerships specializing in a variety of investment strategies. While investments in limited partnerships have resulted in losses for the year, historically these investments have provided attractive returns.

a strong and liquid balance sheet

Financial strength is the cornerstone of Loews's ability to create value for shareholders, enabling us to withstand adversity and to capitalize on opportunities as they arise. Our basic tenets in managing the holding company's capital are:

- To maintain a substantial balance of cash and liquid investments and ensure that the portfolio is managed conservatively, so that cash will be available when needed. Having cash on hand has repeatedly enabled us to move rapidly to capitalize on such opportunities as acquisitions and share repurchases, and to make investments in subsidiaries when funds were unavailable to them on acceptable terms in the capital markets.
- To maintain relatively low levels of holding company debt so that we can easily service all holding company obligations in a distressed financial environment.

The holding company's balance sheet strength is highlighted by three 2008 year-end figures: cash and investments of \$2.345 billion; debt of \$0.866 billion; and shareholders' equity of \$13.126 billion.

Financial strength enables Loews to create value over the long term.

condensed consolidating balance sheet (in billions)

Dec 31, 2008	CNA	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other*	Total
cash & investments	\$35.0	\$0.7	\$ -	\$0.3	\$0.1	\$2.3	\$38.4
total assets	51.6	5.0	4.0	6.8	0.5	2.0	69.9
total debt	2.0	0.5	1.7	2.9	0.2	0.9	8.2
total liabilities	44.4	1.6	2.1	3.5	0.3	0.9	52.8
minority interest	0.9	1.7	-	1.4	-	-	4.0
Loews's interest in shareholders' equity	6.3	1.7	1.9	1.9	0.2	1.1	13.1

* net of eliminations

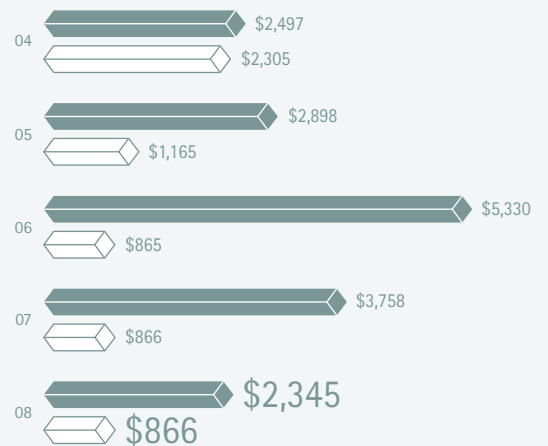
Capital strength and liquidity are as important to our subsidiaries as they are to the holding company, and the strength of their capital positions reflects the conservative approach that each takes to its own balance sheet. (The table above is a condensed version of the company's consolidating balance sheet information presented in Note 25 on page 200 in the accompanying Form 10-K Report.)

Our subsidiaries operate in different industries, with unique business and financial dynamics warranting different capital structures. In all cases, we work with our subsidiaries to ensure that their capital structures are aligned with our conservative, long-term approach and their particular financial requirements.

subsidiaries' year in review

Our subsidiaries play an integral part in the ongoing creation of Loews shareholder wealth. The following pages detail each subsidiary's challenges, opportunities and contributions to value creation in 2008.

holding company cash and investments vs. debt (in millions of dollars)



total cash and investments*

debt

* net of securities receivable and payable

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