

CNA FINANCIAL CORP
Form DEF 14A
March 29, 2004

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OMB APPROVAL

OMB Number:	3235-0059
Expires:	February 28, 2006
Estimated average burden hours per response	12.75

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

CNA Financial Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- x No fee required.
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1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

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CNA FINANCIAL CORPORATION

Notice of Annual Meeting April 28, 2004

To the Stockholders of
CNA FINANCIAL CORPORATION:

You are hereby notified that pursuant to the By-Laws of CNA Financial Corporation, a Delaware corporation, the Annual Meeting of Stockholders will be held at CNA Plaza (333 South Wabash Avenue), Room 208N, Chicago, Illinois, on Wednesday, April 28, 2004, at 10:00 a.m., Chicago time, for the following purposes:

- (1) To elect eight Directors;
- (2) To ratify the appointment of Deloitte & Touche LLP as independent auditors for the Company for 2004; and
- (3) To transact such other business as may properly come before the meeting.

Only Stockholders of record at the close of business on March 12, 2004 are entitled to notice of, and to vote at, this meeting.

It is desired that as many Stockholders as practicable be represented at the meeting. Consequently, whether or not you now expect to be present, you are requested to sign and date the enclosed proxy and return it promptly to the Company. You may revoke the proxy at any time before the authority granted therein is exercised.

By order of the Board of Directors,

JONATHAN D. KANTOR
Executive Vice President,
General Counsel and Secretary

Chicago, Illinois
March 29, 2004

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CNA FINANCIAL CORPORATION

CNA PLAZA, CHICAGO, ILLINOIS 60685

Proxy Statement
Annual Meeting April 28, 2004

The Board of Directors of CNA Financial Corporation (CNA or the Company) submits this statement in connection with the solicitation of proxies from the Stockholders in the form enclosed.

The persons named in this statement as nominees for election as Directors have been designated by the Board of Directors.

Any Stockholder giving a proxy has the power to revoke it at any time before it is exercised. A subsequently dated proxy, duly received, will revoke an earlier dated proxy. A Stockholder may also revoke his or her proxy and vote in person at the Annual Meeting. Proxies will be voted in accordance with the Stockholder s specifications and, if no specification is made, proxies will be voted in accordance with the Board of Directors recommendations. The approximate date of mailing of this Proxy Statement is March 29, 2004.

On March 12, 2004, the Company had outstanding 223,617,337 shares of common stock (Common Stock). The holders of Common Stock have one vote for each share of stock held. Stockholders of record at the close of business on March 12, 2004 will be entitled to notice of, and to vote at, this meeting. The holders of a majority of shares of Common Stock issued and outstanding and entitled to vote when present in person or represented by proxy constitute a quorum at all meetings of Stockholders.

In accordance with the Company s By-Laws and applicable law, the election of Directors will be determined by a plurality of the votes cast by the holders of shares present in person or by proxy and entitled to vote. Consequently, the eight nominees who receive the greatest number of votes cast for election as Directors will be elected as Directors of the Company. Shares present which are properly withheld as to voting with respect to any one or more nominees, and shares present with respect to which a broker indicates that it does not have authority to vote (broker non-votes), will not be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. The affirmative vote of shares representing a majority of the votes cast by the holders of shares present and entitled to vote is required to approve the other matters to be voted on at the Annual Meeting. Shares which are voted to abstain will be considered present at the meeting, but since they are not affirmative votes for the matter they will have the same effect as votes against the matter. Broker non-votes are not counted as present.

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Principal Stockholders

The following table contains certain information as to all entities which, to the knowledge of the Company, were the beneficial owners of 5% or more of the outstanding shares of Common Stock as of February 27, 2004 (unless otherwise noted). Each such entity has sole voting and investment power with respect to the shares set forth:

<u>Name and Address of Beneficial Owner</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
Loews Corporation (Loews) 667 Madison Avenue New York, New York 10021	201,293,500*	90%

* In addition, Loews owns 32,327.015 shares of Series I preferred stock of the Company which is convertible into 32,327,015 shares of common stock. Conversion will occur automatically on April 20, 2004 (twenty (20) calendar days after the mailing of the Information Statement to the Company s stockholders in relation to the conversion).

Because Loews holds more than a majority of the outstanding Common Stock of CNA, Loews has the power to approve matters submitted for consideration at the Annual Meeting without regard to the votes of the other Stockholders. Loews has advised the Company s Board of Directors that it intends to vote FOR the election of management s nominees for the Board of Directors and FOR ratification of the appointment of Deloitte & Touche LLP as the Company s independent auditors. There are no agreements between CNA and Loews with respect to the election of CNA Directors or Officers or with respect to the other matters to come before the meeting.

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The following table sets forth certain information as to the shares of Common Stock beneficially owned by each Director and nominee, and each Executive Officer named in the Summary Compensation Table below (the Named Executive Officers), and by all Executive Officers and Directors of the Company as a group as of March 1, 2004, based on data furnished by them:

Name	Shares of the Company's Common Stock Beneficially Owned	Shares of Loews Corporation Common Stock Beneficially Owned
Robert V. Deutsch	173,515(1)	2,000
Walter L. Harris	1,830	0
Bernard L. Hengesbaugh	520,486(2)	0
Jonathan D. Kantor	57,483(3)	0
James R. Lewis	34,263(4)	0
Stephen W. Lilienthal	76,414(5)	0
Paul J. Liska	0	0
Robert L. McGinnis	7,700(6)	0
Don M. Randel	0	0
Joseph Rosenberg	12,200	26,250(7)
James S. Tisch	6,100	3,075,500(8)
Preston R. Tisch	0	29,983,184(9)
Marvin Zonis	183	0
All Executive Officers and Directors as a group	890,174(10)	33,086,934(11)

1. Includes 62,500 shares issuable upon the exercise of options granted under the CNA Financial Corporation 2000 Incentive Compensation Plan (the Incentive Compensation Plan) which are currently exercisable.
2. Includes 80,500 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable. Mr. Hengesbaugh also owns beneficially 2,500 shares of the common stock of CNA Surety Corporation, a 64% owned indirect subsidiary of the Company. Mr. Hengesbaugh will not stand for re-election as a Director at the Annual Meeting on April 28, 2004.
3. Includes 36,000 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable. Also includes 21,483 shares purchased under the Stock Ownership Plan that were sold on March 2, 2004.
4. Includes 25,000 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable.
5. Includes 51,250 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable.
6. Includes 7,500 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable.
7. Represents shares of Loews Common Stock issuable upon the exercise of options granted under the Loews Stock Option Plan which are currently exercisable.
8. Includes 50,000 shares of Loews Common Stock issuable upon the exercise of options granted under the Loews Stock Option Plan which are currently exercisable. Also includes 1,467,787 shares of Loews Common Stock held by trusts of which Mr. J. S. Tisch is managing trustee and beneficiary and 100,000 shares of Loews Common Stock held by a charitable foundation as to which Mr. J. S. Tisch has shared voting and investment power. Loews Common Stock shares held by Mr. J. S. Tisch represent 1.5% of the outstanding shares of Loews Common Stock.

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9. Includes 6,195,188 shares of Loews Common Stock held by Mr. P. R. Tisch as trustee of trusts for the benefit of his wife, as to which trust he has sole voting and investment power. Loews Common Stock shares held by Mr. P. R. Tisch represent 16.2% of the outstanding shares of Loews Common Stock.
10. Includes 262,750 shares issuable upon the exercise of options granted under the Incentive Compensation Plan which are currently exercisable.
11. Includes 76,250 shares of Loews Common Stock issuable upon the exercise of options granted under the Loews Stock Option Plan which are currently exercisable. Represents 18% of the outstanding shares of Loews Common Stock.
Each holding represents less than 1% of the outstanding shares of Common Stock. For information with respect to the stock holdings of Loews, see Principal Stockholders above.

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ELECTION OF DIRECTORS

(Proposal No. 1)

Pursuant to the By-Laws of the Company, the number of directors constituting the full Board of Directors has been fixed by the Board at eight effective as of the date of the Annual Meeting. Each Director shall be elected at the Annual Meeting of Stockholders and each Director elected shall hold office until the next Annual Meeting of Stockholders and until his or her successor is elected and qualified. Directors need not be Stockholders. Unless authority to do so is withheld, the persons named in the enclosed proxy intend to vote the shares represented by the proxies given to them for the eight nominees hereinafter named.

Should any nominee or nominees become unavailable, the proxy holders will vote for the nominee or nominees designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees will become unavailable.

Set forth below is the name, principal occupation and business experience during the time period that, at a minimum, includes the past five years, as well as certain other information for each nominee:

Walter L. Harris, President and Chief Executive Officer, Tanenbaum-Harber Co. Inc. & Affiliates, an insurance and reinsurance brokerage firm, since 1980. He is a member of the Audit, Executive and Finance Committees. He is a director of Metropolitan National Bank and American Progressive Life & Health Insurance Company. Mr. Harris has been a Director since February of 2001. Age 52.

Stephen W. Lilienthal, Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of the CNA insurance companies since August 2002. From July 2001 until August 2002, President and Chief Executive Officer, Property and Casualty Operations of the CNA insurance companies. From June 1993 to June 1998, senior officer of USF&G Corporation (USF&G). In April 1998, USF&G was acquired by the St. Paul Companies. Mr. Lilienthal was Executive Vice President of the St. Paul Companies until July 2001. He is a member of the Executive and Finance Committees. He is a Director of USF Corporation. Mr. Lilienthal has been a Director since August of 2001. Age 54.

Paul J. Liska, President, Credit and Financial Products at Sears Roebuck and Co. from October of 2002 until November of 2003. He was Executive Vice President and Chief Financial Officer for Sears in 2001. Prior to joining Sears, Mr. Liska was Executive Vice President and Chief Financial Officer of The St. Paul Companies since 1997. He is a Director of APAC Customer Services, Inc. and USF Corporation. Mr. Liska has been a Director since February 2004 and serves on the Executive and Finance Committees and is Chairman of the Audit Committee. Age 48.

Don M. Randel, President of the University of Chicago since July 2000. From 1995 to 2000, he was Provost and Professor of Musicology at Cornell University. Prior to that time, he served at Cornell as Dean of the College of Arts and Sciences from 1991 to 1995 and as Associate Dean from 1968 to 1991. He is a member of the Audit, Executive, Finance and Incentive Compensation Committees. Mr. Randel has been a Director since May 2002. Age 63.

Joseph Rosenberg, Chief Investment Strategist of Loews since 1995. He serves on the Executive and Finance Committees. He has been a Director since August 1995. Age 70.

James S. Tisch, President and Chief Executive Officer of Loews since January 1999. Prior to that, he was President and Chief Operating Officer of Loews from October 18, 1994 to January 1999. He is a Director of Loews, Vail Resorts, Inc., BKF Capital Group, Inc. and Chairman of the Board and Chief Executive Officer of Diamond Offshore Drilling, Inc. He is Chairman of the Finance Committee and serves on the Executive Committee. Mr. Tisch has served as a Director since 1985. Age 51.

Preston R. Tisch, Chairman of the Board of Loews since January 1999. Prior to 1999, he was Co-Chief Executive Officer of Loews since 1994. Mr. Tisch served as Postmaster General of the United States from August 15, 1986 to February 26, 1988. Prior thereto he had served as President and Chief Operating Officer of Loews. He is a director of Bulova Corporation. Mr. Tisch served as a Director of CNA from 1974 to 1986 and was reelected a Director in May of 1988. He serves on the Executive and Finance Committees. Age 77.

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Marvin Zonis, Professor of International Political Economy, Leadership and E-Commerce at the Graduate School of Business of the University of Chicago since 1989. Principal of Marvin Zonis & Associates, Inc., an international consulting firm. He has been a Director since 1993. He is Chairman of the Incentive Compensation Committee and serves on the Audit, Executive and Finance Committees. Age 67.

Director Independence

Under the rules of the New York Stock Exchange (NYSE), listed companies, like CNA, that have a controlling shareholder are not required to have a majority of independent directors. Because Loews holds more than 50% of the voting power of the Company, CNA is a controlled company within the meaning of the rules of the NYSE. Accordingly, the Board of Directors is not composed of a majority of directors who are independent. Nevertheless, the Board of Directors has determined that the following directors are independent under the listing standards of the NYSE (Independent Directors): Walter L. Harris, Paul J. Liska, Don M. Randel and Marvin Zonis. In determining independence, each year the Board affirmatively determines whether or not each director or nominee has any material relationship with the Company. In assessing the materiality of any relationship, the Board considers all relevant facts and circumstances, not merely from the standpoint of the director or nominee, but from that of any person or organization with which the director or nominee has an affiliation. The Board considers the frequency and regularity of any services provided by or to, or other transactions between, the Company and the director or nominee or affiliated organization, whether they are being carried out at arm's length in the ordinary course of business and whether they are being provided or conducted substantially on the same terms as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial banking, industrial, legal, accounting, charitable and familial relationships.

The Board has established guidelines to assist it in determining director independence. Under these guidelines, a director would not be considered independent if any of the following relationships existed during the past three years: (i) the director is an employee, or an immediate family member is an executive officer, of the Company; (ii) the director or an immediate family member receives more than \$100,000 per year in direct compensation from the Company, excluding director and committee fees, pension payments and certain forms of deferred compensation; (iii) the director is affiliated with or employed by, or an immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company; (iv) the director or an immediate family member is employed as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee; or (v) the director is an executive officer or employee, or an immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which exceeded the greater of \$1 million, or 2% of the other company's annual consolidated gross revenues.

The Board has considered the commercial relationship of certain of the Company's subsidiaries and Tanenbaum-Harber Co. Inc., of which Mr. Harris is President and Chief Executive Officer, and certain of its affiliates, and determined that it meets all of the requirements described above for Mr. Harris' independence as a Director of the Company and does not otherwise constitute a material relationship with the Company.

The Board of Directors has documented its ethical principles and governance practices in the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics (the Code) adopted by the Board in November of 2003. These documents will be available on the Company's website (www.cna.com) and will be provided in print form to any shareholder who requests them. Any waiver granted to a Director or executive officer in relation to the Code would be disclosed on the Company's website.

Committees and Meetings

The Company has an Audit, Incentive Compensation, Executive and Finance Committee. The Company does not have a Nominating Committee. Under the rules of the NYSE, listed companies, like CNA, that have a controlling shareholder are not required to have a nominating committee. The Board of Directors as a whole therefore performs the functions of a nominating committee. Because the Company does not have a nominating

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committee, the Company does not have a specific policy regarding shareholder nominations of potential directors to the Board of Directors, other than through the process described under "Stockholder proposals for the 2005 Annual Meeting" below. Nominations for membership to the Company's Board of Directors are determined by the Board in consultation with its executive officers and other members of senior management. Possible nominees to the Board of Directors may be suggested by any director and given to the Chairman of the Board or by shareholders as indicated above.

Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process, including review of the financial reports and other financial information of the Company, the Company's systems of internal accounting, the Company's financial controls, and the annual independent audit of the Company's financial statements. The Company's Audit Committee has sole authority to directly appoint, retain, compensate, evaluate and terminate the Company's independent accountants and to approve all engagement fees and terms, including mandatory pre-approval of all engagements of the independent accountants in accordance with policies and procedures adopted by the Audit Committee from time to time or as required. The Board has adopted a written charter, a copy of which is attached hereto as Exhibit A and has been posted on the Company's web-site at www.cna.com and is available in print to any shareholder who requests it, under which the Audit Committee operates. The Company's management is responsible for its financial statements and reporting process, including its system of internal controls. The Company's independent auditors are responsible for expressing an opinion on the conformity of the Company's audited financial statements with accounting principles generally accepted in the United States of America.

The current members of the Audit Committee are Paul J. Liska (Chairman), Walter L. Harris, Don M. Randel and Marvin Zonis, each of whom is an Independent Director and also meets the additional independence requirements of applicable listing standards of the NYSE and Securities and Exchange Commission (SEC) regulations. Further, the Board has determined that Mr. Liska possesses the qualifications required of an audit committee financial expert by the currently applicable rules of the SEC.

The Company's Independent Directors meet in regular executive session without management participation. The Company has created a new position of presiding director (Presiding Director) whose primary responsibility is to preside over these executive sessions of the Independent Directors. The Chairpersons of the Audit and Incentive Compensation Committees alternate annually as the Presiding Director. For the year 2004, Mr. Liska, as Chairperson of the Audit Committee, will serve as Presiding Director. This procedure will require that the Chairperson of the Incentive Compensation Committee is an Independent Director during any period in which he or she is serving as the Presiding Director.

The Company's Directors are asked annually to report to the Company the number of audit committees on which such Director serves. During 2003, no Director reported serving on three or more audit committees.

Incentive Compensation Committee

The Company does not have a Compensation Committee. Under the rules of the NYSE, listed companies, like CNA, that have a controlling shareholder are not required to have a compensation committee. However, as noted above, the Company's Board does maintain an Incentive Compensation Committee which administers the Incentive Compensation Plan. The current members of the Incentive Compensation Committee are Marvin Zonis (Chairperson) and Don M. Randel, each of whom is an Independent Director. Antoinette Cook Bush resigned as a director and member of the Incentive Compensation Committee as of February 12, 2004. Mr. Zonis was elected to the Incentive Compensation Committee and appointed Chairperson on March 18, 2004.

During 2003 there were eight meetings of the Board of Directors, five meetings of the Audit Committee and five meetings of the Incentive Compensation Committee. Each director of the Company attended not less than 75% of the total number of meetings of the Board of Directors and committees of the Board on which that director served during 2003. The Board recommends, but does not require, that all directors attend the

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Company's shareholders meetings. Nine of the Company's ten directors attended its 2003 Annual Meeting of Shareholders.

Audit Committee Report

The role of the Audit Committee is to assist the Board of Directors with the responsibility of administering corporate policy in matters of accounting and control in its oversight of the Company's financial reporting process. As set forth in the Charter, management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, the Company's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Audit Committee functions as the liaison with the Company's independent auditors and internal audit. The independent auditors are responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

In the performance of its oversight function, the Committee has considered and discussed the audited financial statements with management and the independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect. The Committee has discussed with the independent auditors the auditors' independence.

The members of the Audit Committee rely without independent verification on the information provided to them by management and the independent auditors and on management's representation that the Company's financial statements have been prepared with integrity and objectivity. They do not provide any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has applied appropriate accounting and financial reporting principles or internal controls and procedures, that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the Company's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or that the Company's auditors are in fact independent.

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Charter, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission and determined that the provision of non-audit services by Deloitte & Touche LLP to the Company in 2003 was compatible with maintaining the independence of Deloitte & Touche LLP in its audit of the Company.

SUBMITTED BY THE AUDIT COMMITTEE

OF THE COMPANY'S BOARD OF DIRECTORS

Antoinette Cook Bush*

Paul Liska (Chairperson)*

Walter L. Harris

Don M. Randel

Marvin Zonis

* Ms. Bush resigned as a director and Audit Committee member as of February 12, 2004. Mr. Liska was elected to the Audit Committee and appointed as its chairperson on February 11, 2004.

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The Company's directors who are not employees of CNA or any of its subsidiaries received an annual retainer in 2003 of \$25,000. In addition, members of committees received the following annual retainers: Finance, \$4,000, Executive, \$4,000, Incentive Compensation, \$3,000 (Chairperson receives \$5,000) and Audit, \$20,000 (Chairperson receives \$25,000). In addition, a meeting fee of \$600 was paid to the Chairpersons of the Audit and Incentive Compensation Committees for each meeting with management, external auditors, advisors and other appropriate persons held to carry out their respective duties between regularly scheduled quarterly meetings of the Committees. Effective January 1, 2004, the annual retainer for Audit Committee members was increased to \$25,000 (Chairperson receives \$35,000) and the fee for Incentive Compensation Committee members was increased to \$10,000 (Chairperson receives \$15,000). Mr. Lilienthal does not receive director retainer fees. Directors are reimbursed for necessary and reasonable travel expenses incurred in attending meetings.

COMPENSATION OF EXECUTIVE OFFICERS

The following table includes compensation paid by the Company and its subsidiaries for services rendered in all capacities for the years indicated for the Chief Executive Officer and other Named Executive Officers as of December 31, 2003:

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			
		Salary (a)(\$)	Bonus (b)(\$)	Other Compensation (c)(\$)	Awards		Payouts	
					Restricted Stock Award(\$)	Securities Underlying Options(#)	Long-Term Compensation (d)(\$)	All Other Compensation (e)(\$)
Stephen W. Lilienthal	2003	\$ 986,538	\$ 1,900,000	0	0	55,000	0	\$ 189,499
Chief Executive	2002	802,885	1,220,000	114,864(i)	0	55,000	0	276,934(k)
Officer CNA	2001	296,154	600,000(h)	0	780,019(j)	75,000	0	124,440(k)
Financial Corporation(f)(g)								
Robert V. Deutsch	2003	\$ 722,885	\$ 1,400,000	0	0	25,000	\$ 40,532	\$ 29,230
Executive Vice	2002	550,141	814,000	0	0	25,000	64,531	23,526(l)
President &	2001	550,000	935,000	0	0	25,000	160,000	91,868(l)
Chief Financial Officer CNA Financial Corporation								
Jonathan D. Kantor	2003	\$ 643,750	\$ 1,650,000	\$ 787,000(m)	0	30,000	\$ 41,800	\$ 26,282
Executive Vice	2002	540,385	969,500	0	0	20,000	24,113	22,696
President, General Counsel & Secretary CNA Financial Corporation	2001	500,000	700,000	0	0	20,000	12,656	21,000
James R. Lewis	2003	\$ 778,846	\$ 1,000,000	0	0	30,000	\$ 38,000	\$ 124,062
President & CEO	2002	648,077	771,949(n)	54,743	0	30,000	38,000	207,772(p)
CNA Property & Casualty Operations CNA Insurance Companies(g)	2001	190,385	400,000(h)	0	239,800(o)	35,000	0	229,399(p)

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Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All Other Compensation (e)(\$)
		Salary (a)(\$)	Bonus (b)(\$)	Other Compensation (c)(\$)	Awards		Payouts	
					Restricted Stock Award(\$)	Securities Underlying Options(#)	Long-Term Compensation (d)(\$)	
Robert L. McGinnis President & CEO CNA Life and Group Operations CNA Insurance Companies(q)	2003	\$ 478,077	\$ 575,000	0	0	20,000	\$ 20,267	\$ 56,743

Notes

- (a) Base salary includes compensation deferred under the CNA Savings and Capital Accumulation Plan (the S-CAP) and the CNA Supplemental Executive Savings and Capital Accumulation Plan (the SES-CAP).
- (b) Amounts disclosed are annual incentive cash awards under the Incentive Compensation Plan, hereinafter described. Annual incentive cash awards are typically paid in March of the following year unless deferred.
- (c) Amounts not otherwise explained by footnotes in this column represent various taxable imputed perquisites provided to select Company executives.
- (d) Represents long-term incentive cash awards under the Incentive Compensation Plan.
- (e) Amounts not otherwise explained by footnotes in this column represent amounts contributed or accrued to the Named Executive Officers under the S-CAP and the SES-CAP.
- (f) On August 26, 2002, Mr. Lilienthal assumed the title of Chief Executive Officer, CNA Financial Corporation.
- (g) Messrs. Lilienthal and Lewis were employed by the Company effective July 23, 2001 and August 20, 2001, respectively.
- (h) Includes a hiring bonus of \$600,000 and \$100,000 paid to Mr. Lilienthal and Mr. Lewis, respectively.
- (i) Includes \$54,648 reimbursement for cost incurred by Mr. Lilienthal for legal services provided to him in connection with the drafting and negotiating of his employment contract with the Company.
- (j) Represents a restricted stock grant of 28,028 shares awarded upon commencement of employment. The 28,028 shares vest in four equal parts beginning July 31, 2002.
- (k) Includes \$192,420 and \$103,414 of relocation expenses paid in 2002 and 2001, respectively.
- (l) Includes \$69,188 of travel and other related expenses paid in 2002 and 2001.
- (m) Represents deferred signing bonus paid in connection with 2003 employment agreement (including accrued interest), hereinafter described.
- (n) Includes a 2002 annual incentive cash compensation award of \$750,000.
- (o) Represents a restricted stock grant of 10,000 shares awarded upon commencement of employment. The 10,000 shares vest in four equal parts beginning on August 20, 2002

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- (p) Includes \$139,041 and \$215,881 of relocation expenses paid in 2002 and 2001, respectively.
- (q) Mr. McGinnis was an executive officer in 2003.

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The following table includes individual grants of stock options awarded by the Company to the Named Executive Officers for the year ended December 31, 2003:

Option Grants in Last Fiscal Year

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term	
	Number of Securities Underlying Options Granted(a)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (per share)(b)	Expiration Date	5%(\$)	10%(\$)
Stephen W. Lilienthal	55,000	14.3%	\$ 24.69	05/07/13	854,007	2,164,223
Robert V. Deutsch	25,000	6.5%	\$ 24.69	05/07/13	388,185	983,738
Jonathan D. Kantor	30,000	7.8%	\$ 24.69	05/07/13	465,822	1,180,485
James R. Lewis	30,000	7.8%	\$ 24.69	05/07/13	465,822	1,180,485
Robert L. McGinnis	10,000	2.6%	\$ 24.69	05/07/13	155,274	393,495