

Loews Corporation - What Should the Parent Do With Its Next Dollar?

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Decision scope: Set a parent liquidity floor and rules for allocating capital above it

Case convention: This is an author-created classroom decision exercise based on public information. Loews has not disclosed the specific board decision or alternatives presented here. All policy options are hypothetical; later outcomes are excluded.

The decision

Loews Corporation owns businesses with different capital needs and cash-flow patterns. At June 30, 2026, the parent reported \$4.4 billion of cash and investments, net of receivables and payables, and \$1.8 billion of parent debt. Cash reaches the parent through subsidiary distributions, which can vary. The parent can also retain liquidity, consider funding a subsidiary opportunity, or repurchase Loews shares.

The board has asked its strategy team to recommend a **parent liquidity floor** and a rule for allocating capital above that floor. The assignment is to design a policy, not to forecast Loews's share price or name a precise buyback amount.

Consider three approaches:

1. **Higher parent reserve:** retain a larger buffer against volatile subsidiary distributions, parent obligations, and downside conditions; require clear evidence before funding subsidiaries or accelerating repurchases.
2. **Evidence-gated subsidiary funding:** set a liquidity floor, then provide parent capital only for a defined subsidiary need with a credible risk-adjusted return, financing plan, and decision gates; otherwise retain liquidity or repurchase shares when value supports it.
3. **Residual repurchases:** set a liquidity floor, fund only evidenced subsidiary needs that meet a hurdle, and use remaining capital for Loews share repurchases when an independent valuation supports the price.

These are analytical alternatives, not management's reported plans. You may recommend a hybrid or a different rule if you state the conditions clearly. What should the policy be, and what evidence would cause the board to change it?

A parent company with distinct cash boundaries

Loews is a holding company with three consolidated operating subsidiaries-CNA, Boardwalk Pipelines, and Loews Hotels-and a Corporate segment. It also accounts for Altium Packaging by the equity method. Segment earnings and subsidiary cash are not automatically available to the parent on the same terms or at the same time. [1, 2]

For the first half of 2026, Loews reported receiving \$885 million of subsidiary dividends and distributions: \$735 million from CNA and \$150 million from Boardwalk. CNA's amount included a \$497 million special dividend. Subtracting that disclosed special dividend from total CNA distributions leaves \$238 million of **other CNA distributions, derived**. The available evidence does not establish that this residual was all regular or repeatable. The special dividend should not be treated as a run-rate. [2, 4]

CNA dividends to Loews are at CNA's discretion and depend on CNA's earnings, financial condition, business needs, and regulatory constraints. A separate rule applies one level below: Continental Casualty Company (CCC), a CNA subsidiary, faces statutory limits on ordinary dividends paid **to CNA**. That CCC-to-CNA restriction is not a direct formula limiting CNA-to-Loews distributions. [1, 2]

The parent's \$4.4 billion measure is **cash and investments, net of receivables and payables**. It is not consolidated cash, cash on hand, or a disclosed amount available for repurchases. The release separately reported \$1.8 billion of parent debt. The 10-Q lists possible future parent uses including Loews or subsidiary share purchases, dividends, subsidiary investment, and opportunistic investments, but does not rank them or disclose a minimum cash target. [2, 3]

Repurchases: an option, not a valuation conclusion

Loews repurchased 8.9 million shares for \$782 million in 2025. In the first half of 2026, the company continued repurchases, but the public disclosures do not present one reconciled dollar figure. Each reported amount below has its own source and label. [2-6]

Exhibit 1. Reported repurchase disclosures

Period and source	Reported shares	Reported amount	Source description
H1 2026, 10-Q Note 7, "Stock Purchases"	1.7 million	\$179 million	Purchase cost
H1 2026, 10-Q statement of equity	-	\$179 million	Treasury-stock purchases
H1 2026, 10-Q MD&A, "Parent Company"	1.7 million	\$177 million	Parent-company shares purchased
H1 2026, 10-Q cash-flow statement	-	\$185 million	Treasury-stock cash outflow
Q2 2026, 10-Q Note 7, "Stock Purchases"	1.4 million	\$148 million	Purchase cost
Q2 2026, earnings release	1.4 million	\$146 million	Share purchases
Q2 and H1 2026, CEO remarks	Q2: 1.4 million; H1: 1.7 million	Q2: \$146 million; H1: \$179 million	Management remarks

The packet does not establish why these amounts differ, so the figures remain unreconciled. Q2 shares are included in the H1 share count; do not add Q2 to H1. The table is not a basis for inferring purchase price versus intrinsic value. The company's July 31 share count is a separate point-in-time measure. [2-4]

The decision is therefore not whether past repurchases were optimal. It is what conditions should govern future repurchases relative to liquidity and evidenced investment opportunities. Public sources do not provide an independent look-through valuation of Loews or a company-specific repurchase hurdle.

A visible subsidiary investment pipeline-and a funding boundary

Boardwalk had executed growth-project agreements with estimated aggregate cost of about \$3.4 billion through 2030. It had spent \$381 million through June 30, 2026 and reported \$626 million of binding materials purchase-order commitments due to settle through 2028. The filing does not establish whether those commitments are included in or incremental to the estimated project total. They should remain separate until their scope is reconciled. [2]

Boardwalk's first-half 2026 capital spending was \$344 million: \$269 million for growth and \$75 million for maintenance. For the comparable 2025 half, it was \$122 million: \$51 million for growth and \$71 million for maintenance. Boardwalk reported \$541 million in first-half operating cash flow and a \$150 million distribution to Loews. These six-month figures show activity but do not establish project returns or full-year free cash flow. [2]

Management said Boardwalk expected to fund its growth projects through operating cash flows, long-term debt, and its revolving credit facility. At June 30, the revolver had no borrowings and \$984 million of available capacity. Costs and timing remain subject to uncertainty, including approvals. The estimated project cost is a subsidiary plan, not an automatic Loews parent cash call. [2]

A conditional calculation-\$3.4 billion of estimated project cost less \$381 million spent-is \$3.019 billion. It is only an estimated residual if project scope is consistent; it is not a contractual remaining obligation. Nor should the \$626 million materials commitments be added to it without resolving possible overlap. [2]

The public record does not identify a specific parent contribution request, full project-level returns, or a Boardwalk financing shortfall. A credible policy must leave room to fund a subsidiary opportunity if evidence supports it while avoiding the assumption that consolidated ownership makes every subsidiary project a parent obligation.

How should liquidity be valued?

A higher reserve may protect the parent against lumpy distributions, debt service, expenses, or a deteriorating opportunity set. Holding excess cash may also carry opportunity costs. Yet neither the required reserve nor the parent's cash yield and stress needs are disclosed here.

Hoang, Gatzert, and Ruckes (2025 issue; published online in 2024) report a survey of CFOs at diversified firms. Respondents described both moving capital toward promising projects and using controls to limit agency or information problems. This self-reported evidence is not a causal estimate for Loews. Brav, Graham, Harvey, and Michaely (2005) report that surveyed executives often considered relative share value and investment opportunities in repurchases; that does not prove a particular repurchase creates value. Bates, Kahle, and Stulz (2009) discuss precautionary, transaction, tax, and agency motives for cash holdings, but their

historical industrial-firm sample excludes financial firms and utilities. These studies provide questions and mechanisms, not a calibrated Loews liquidity floor. [7-9]

Decision assignment

Prepare a two-page recommendation to the Loews board. Your policy should address:

1. What liquidity floor or stress framework should the parent use, and which obligations or cash-flow shocks should it cover?
2. How should recurring, special, and otherwise unexplained subsidiary distributions be treated? What can and cannot be inferred from H1 2026?
3. Under what evidence and governance conditions should the parent fund a subsidiary opportunity? How should the subsidiary's own financing plan affect the decision?
4. When should Loews repurchase its shares, and what valuation evidence or hurdle would be required?
5. Which assumption matters most to your recommendation, and what observable evidence would make you revise it?

You may use student-created stress scenarios or thresholds, but label them as assumptions. Do not infer a buyback price or amount, project return, parent contribution, or intrinsic value from the supplied data. Keep Boardwalk's estimated project cost separate from spent amounts and binding commitments; distinguish CNA-to-Loews from CCC-to-CNA; and preserve the repurchase figures as unreconciled.

Sources and conventions

[1] Loews Corporation, [2025 Form 10-K](#), Part I, "Business"; Part II, "Liquidity and Capital Resources"; Note 14, CCC-to-CNA dividend restrictions (targeted passage).

[2] Loews Corporation, [Q2 2026 Form 10-Q](#), MD&A, "Consolidated Financial Results," "Corporate," and "Liquidity and Capital Resources-Parent Company" and "-Subsidiaries-Boardwalk"; Stock Purchases, equity and cash-flow statements. Current figures are as of or for the period ended June 30, 2026.

[3] Loews Corporation, [Q2 2026 earnings release](#), highlights, "Share Purchases," and segment-results table.

[4] Loews Corporation, [Q2 2026 earnings remarks](#), CEO remarks, lines 51-56.

[5] Loews Corporation, [2025 Q4 and full-year earnings release](#), headline and full-year highlights.

[6] Repurchase figures are reproduced by source as reported in [2]-[4]; discrepancies are left unreconciled. No cause is inferred.

[7] Hoang, Daniel, Sebastian Gatzert, and Martin Ruckes, "The Economics of Capital Allocation in Firms: Evidence from Internal Capital Markets," *Management Science* 71(8), 6392-6425 (2025; published online Nov. 4, 2024). [Article](#).

[8] Brav, Alon, John R. Graham, Campbell R. Harvey, and Roni Michaely, "Payout Policy in the 21st Century," *Journal of Financial Economics* 77(3), 483-527 (2005). [Author-hosted paper](#).

[9] Bates, Thomas W., Kathleen M. Kahle, and René M. Stulz, “Why Do U.S. Firms Hold So Much More Cash than They Used To?” *Journal of Finance* 64(5), 1985-2021 (2009). [Author-hosted paper](#).

The information cutoff is October 2, 2026, 4:00 p.m. ET. The companion research packet documents source reading depth and academic limitations. Company facts, management estimates, derived values, and student assumptions are distinguished. Later outcomes are excluded.