

CNA INVESTOR SERVICES, INC.

(SEC I.D. No. 8-13023)

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2017 AND  
REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
EXEMPTION REPORT  
AND REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM THEREON.

\* \* \* \* \*

Filed pursuant to Rule 17a-5(e)(3) as a PUBLIC DOCUMENT.

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: August 31, 2020
Estimated average burden hours per response . . . 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8-13023

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:	OFFICIAL USE ONLY	
CNA Investor Services, Inc.		
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)	FIRM I.D. NO.	
333 South Wabash Ave. Floor 42S		
(No. and Street)		
Chicago	Illinois	60604
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ciaran O'Loughlin - Vice President (312) 822-2078  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche LLP  
(Name - if individual, state last, first, middle name)

111 South Wacker Drive	Chicago	Illinois	60606
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

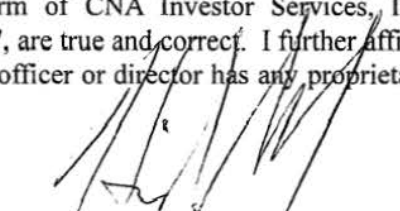
### OATH OR AFFIRMATION

I, Howard Spindel, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedules pertaining to the firm of CNA Investor Services, Inc. (the Company), as of and for the year ended December 31, 2017, are true and correct. I further affirm that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

JORDAN R D CONNELL  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01CO6229127  
Qualified In New York County  
My Commission Expires 10-04-2018



Notary Public

  
Howard Spindel

Chief Compliance Officer  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (x) Report of independent registered public accounting firm related to the financial statements.
- ☒ (x) (a) Facing Page.
- ☒ (x) (b) Statement of Financial Condition.
- ☒ (x) (c) Statement of Operations.
- ☒ (x) (d) Statement of Cash Flows.
- ☒ (x) (e) Statement of Changes in Stockholder's Equity.
- ☒ (x) Notes to Financial Statements.
- ☐ ( ) (f) Statement of Changes in Liabilities Subordinated to the Claims of General Creditors. (Not Applicable)
- ☒ (x) (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ☒ (x) (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- ☒ (x) (i) Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- ☐ ( ) (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3. (Not Applicable)
- ☐ ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (Not Applicable)
- ☒ (x) (l) An Oath or Affirmation.
- ☐ ( ) (m) A Copy of the SIPC Supplemental Report. (Not Required)
- ☒ (x) (n) An Exemption Report.
- ☒ (x) Report of independent registered public accounting firm related to the Exemption Report.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17e-5(e)(3).



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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
CNA Investor Services, Inc.  
Chicago, Illinois

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of CNA Investor Services, Inc. (a wholly owned subsidiary of Continental Casualty Company, an affiliate of CNA Financial Corporation and Loews Corporation) (the "Company") as of December 31, 2017, and the related statements of operations, cash flows, and changes in stockholder's equity for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Report on Supplemental Schedules**

The supplemental schedules g, h, and i listed in the accompanying table of contents have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedules reconcile to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Deloitte + Touche LLP*

February 23, 2018

We have served as the Company's auditor since 1980.



**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**  
**Statement of Financial Condition**

**December 31, 2017**

<b>Assets</b>	
Cash	\$ 63,382
Amounts due from affiliate (Note 3)	775
Prepaid expenses	948
Commissions and fees receivable	4,871
Other assets	1,073
<b>Total assets</b>	<b>\$ 71,049</b>
<b>Liabilities and stockholder's equity</b>	
Liabilities:	
Amounts due to parent (Note 3)	\$ 3,437
Other liabilities	391
<b>Total liabilities</b>	<b>3,828</b>
Commitments and contingencies (Note 5)	
Stockholder's Equity:	
Common stock, no par value--100 shares authorized and outstanding at stated value	5,000
Additional paid-in capital	227,949
Accumulated deficit	(165,728)
<b>Total stockholder's equity</b>	<b>67,221</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 71,049</b>

The accompanying Notes are an integral part of these Financial Statements.

**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**  
**Statement of Operations**

**Year ended December 31, 2017**

<b>Revenues</b>	
Commissions and fees	\$ 26,167
Total revenues	<u>26,167</u>
<b>Expenses</b>	
General and administrative (Note 3)	<u>47,453</u>
Total expenses	<u>47,453</u>
Loss before income tax	(21,286)
Income tax expense (Note 4)	(1,456)
<b>Net loss</b>	<u><u>\$ (22,742)</u></u>

The accompanying Notes are an integral part of these Financial Statements.

**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**  
**Statement of Cash Flows**

**Year ended December 31, 2017**

Net loss	\$ (22,742)
Adjustments to reconcile net loss to net cash flows used in operating activities:	
Decrease in Prepaid expenses	5,000
Increase in Commissions and fees receivable	(226)
Increase in Amounts due from affiliate	(775)
Decrease in Other assets	695
Decrease in State income taxes and fees recoverable	2,231
Decrease in Amounts due to parent	(1,497)
Decrease in Other liabilities	(32)
Net cash used in operating activities	(17,346)
Cash, beginning of year	80,728
Cash, end of year	<u>\$ 63,382</u>

The accompanying Notes are an integral part of these Financial Statements.

**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**  
**Statement of Changes in Stockholder's Equity**

Year ended December 31, 2017

<b>Common stock</b>	
Balance, beginning and end of year	\$ 5,000
<b>Additional paid-in capital</b>	
Balance, beginning and end of year	227,949
<b>Accumulated deficit</b>	
Balance, beginning of year	(142,986)
Net loss	(22,742)
Balance, end of year	(165,728)
<b>Total stockholder's equity</b>	<b>\$ 67,221</b>

The accompanying Notes are an integral part of these Financial Statements.



**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**  
**Notes to Financial Statements**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

CNA Investor Services, Inc. (the Company) is a broker/dealer registered under the Securities Exchange Act of 1934. The Company is a wholly-owned subsidiary of Continental Casualty Company (CCC). CCC is wholly owned by The Continental Corporation (TCC). TCC is wholly owned by CNA Financial Corporation (CNA). Loews Corporation owned approximately 89% of the outstanding common stock of CNA at December 31, 2017.

During 2004, CNA sold its individual life and annuity business and sold the assets and liabilities of CNA Trust Corporation. Since the Company served as a broker/dealer for products sold in the individual life and annuity line of business as well as for CNA Trust Corporation, the related broker/dealer revenues also ceased with the sale of these entities. The Company served as the principal underwriter to Continental Assurance Company (CAC) Separate Account (B) until the Principal Underwriting Agreement was terminated effective November 1, 2011. The Company continues to serve as the principal underwriter for an external third party as part of the sale of CNA's Individual Life business. However, the Company no longer introduces new customers/accounts for any related or unrelated party. The commissions and fees currently received relate to the Company's existing customer balances with investment and insurance companies, and on the customers' incremental investments in their existing mutual fund accounts.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

**Commissions and Fees** - Commissions and fees revenue related to customers' mutual fund and insurance investments transacted directly with investment companies and insurance companies are recorded when they are earned and realizable and are included in the commissions and fees line in the financial statements.

**Fair Value of Financial Instruments** - Cash, receivables and payables are carried at cost, which approximates fair value.

**Income Taxes** - The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. The Company records a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

**Recently Issued Accounting Standards Update (ASU)** - In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*. The updated guidance requires an entity to recognize revenue as performance obligations are met, in an amount that reflects the consideration the entity is entitled to receive for transfer of the promised goods or services. The standard is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. The Company adopted the new revenue guidance on January 1, 2018 using the modified retrospective approach. The impact of adoption was not material to the Company's financial condition, results of operations, equity or cash flows.



### 3. RELATED-PARTY TRANSACTIONS

The Company reimburses CCC for management services and other expenses provided to the Company and paid for on behalf of the Company. The Company and CCC agreed to a monthly fixed fee of \$1,675 for such services. Included in General and administrative expenses is \$20,100 for these fees, charged to the Company by CCC for the year ended December 31, 2017. Included in the Amounts due to parent as of December 31, 2017 is \$1,675, for management services and other expenses, for which the Company subsequently reimbursed CCC.

The Company paid \$775 on behalf of CNA National Warranty Corporation, a wholly-owned subsidiary of CCC, for New York City and New York State taxes during 2017. At December 31, 2017, the amount due to the Company from CNA National Warranty Corporation was included in Amounts due from affiliate.

Western Surety Company (Western Surety), a wholly-owned subsidiary of CCC, provides the Company with a blue sky bond that covers losses in the event the Company was to violate the blue sky laws in the state of California involving securities business. The Company pays fees annually to Western Surety for this bond. Included in the General and administrative expenses are such fees in the amount of \$100 for the year ended December 31, 2017.

The Company incurs certain direct expenses, which are paid by CCC on behalf of the Company. The Company reimburses CCC for these expenses. Included in the Amounts due to parent as of December 31, 2017 is \$1,762 for taxes payable, for which the Company subsequently reimbursed CCC.

The Company's results of operations and financial condition could be materially different if it entered arms-length transactions with third parties in lieu of the aforementioned related party transactions.

### 4. INCOME TAXES

The Company is included in the consolidated Federal income tax return of Loews Corporation, along with its indirect parent company, CNA. CNA has a policy whereby each of its member companies will pay to, or recover from, CNA the amount of Federal income taxes it would have incurred, or been entitled to recover, had the member company filed its own separate stand-alone Federal income tax return.

On December 22, 2017, H.R.1 "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018," previously known as "The Tax Cuts and Jobs Act" was signed into law (Tax Reform Legislation). The Tax Reform Legislation is subject to further clarification by the issuance of future technical guidance by the U.S. Department of the Treasury and/or future technical correction legislation.

The Tax Reform Legislation provides for a permanent reduction in the Federal corporate income tax rate from 35% to 21% effective January 1, 2018, among other provisions.

The Company is required to recognize the effect of this tax rate change on its net deferred tax assets in the period the tax law change was signed into law. Consequently, the Company has recorded a one-time non-cash increase to Income tax expense of \$44,037. However, the Company maintains a valuation allowance for the entire amount of the federal deferred tax asset as of December 31, 2017. As a result, the associated decrease in the Company's valuation allowance reduced Income tax expense by \$44,037.

At December 31, 2017, the Company had no federal income taxes payable to or recoverable from CCC and a net deferred tax asset of \$66,057. The federal net deferred tax asset relates to net operating loss carryforwards, which expire between 2024 and 2037. The Company maintained a valuation allowance for the entire amount of the federal net deferred tax asset as of December 31, 2017 and 2016, due to the uncertainty in the ability of the Company to generate sufficient future taxable income.

The income tax expense for the year ended December 31, 2017 relates to state income taxes. These taxes primarily represent minimum amounts charged by states in which the Company is qualified to do business.

At December 31, 2017, there is no unrecognized tax benefit.

The Company recognizes interest accrued (if any) related to unrecognized tax benefits in Expenses and recognizes penalties (if any) in Income tax expense on the Statement of Operations. During 2017, the

Company recognized no interest and no penalties. There are no amounts accrued for interest or penalties at December 31, 2017.

**5. COMMITMENTS AND CONTINGENCIES**

The Company, from time to time, is subject to certain litigation matters which arise in the normal course of business. The Company's management does not believe that the outcome of any of these matters will have a material adverse effect on the Company's financial position, cash flows or results of operations.

**6. REGULATORY REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires maintenance of minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. In addition, the Company is subject to a limitation on aggregate indebtedness, which shall not exceed 15 to 1 of aggregate indebtedness to net capital. At December 31, 2017, the Company had net capital of \$59,554 which was \$54,554 in excess of its minimum required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.06 to 1.

The Company is exempt from SEC Rule 15c3-3 pursuant to the exemptive provisions of its subparagraph (k)(1).

\* \* \* \* \*

**Supplemental Schedule of Computation of Net Capital  
For Brokers and Dealers Pursuant to Rule 15c3-1  
Under The Securities and Exchange Act of 1934**

December 31, 2017

Total stockholder's equity reported on the statement of financial condition	\$ 67,221
DEDUCTIONS AND/OR CHARGES -- Nonallowable assets included in the statement of financial condition:	
Prepaid expenses	(948)
Commissions and fees receivable	(4,871)
Amounts due from affiliate	(775)
Other assets	(1,073)
Total deductions and/or charges	(7,667)
NET CAPITAL	\$ 59,554
TOTAL AGGREGATE INDEBTEDNESS -- Total liabilities	\$ 3,828
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	0.06 to 1
MINIMUM CAPITAL REQUIRED	
(The greater of \$5,000 or 6.67% of aggregate indebtedness)	\$ 5,000
EXCESS NET CAPITAL	\$ 54,554

Note: There are no material differences between the computation above and computations included in CNA Investor Services, Inc. unaudited X-17A-5 Part IIA filing as of December 31, 2017 filed on January 25, 2018.

**CNA Investor Services, Inc.**

**Schedule h**

**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**

**Computation for Determination of Reserve Requirements  
For Brokers and Dealers Pursuant to Rule 15c3-3  
Under the Securities Exchange Act of 1934  
December 31, 2017**

The Company is exempt from the Computation for Determination of Reserve Requirements according to the provision of Rule 15c3-3(k)(1).



**CNA Investor Services, Inc.**

**Schedule i**

**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**

**Information Relating to Possession or Control Requirements  
For Brokers and Dealers Pursuant to Rule 15c3-3  
Under the Securities Exchange Act of 1934  
December 31, 2017**

The Company is exempt from Possession or Control Requirements of Rule 15c3-3 under the provision of Rule 15c3-3(k)(1).

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
CNA Investor Services, Inc.  
Chicago, Illinois

We have reviewed management's statements, included in the accompanying exemption report, in which (1) CNA Investor Services, Inc. (the "Company") identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: paragraph (k)(1) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the year ended December 31, 2017 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Deloitte + Touche LLP*

February 23, 2018

**CNA Investor Services, Inc.**  
**(A Wholly-Owned Subsidiary of Continental Casualty Company, an Affiliate of CNA Financial Corporation and Loews Corporation)**

**Exemption Report**  
**The Securities Exchange Act of 1934**  
Year ended December 31, 2017

**CNA Investor Services, Inc.** (the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(1):

Section (k)(1) of the Rule provides exemption from the Rule to broker-dealers dealing solely in mutual funds or variable annuities/variable life, provided that: 1) all transactions are limited solely to agency trades of redeemable securities (mutual funds, variable annuities or variable life) and 2) all funds and securities are promptly delivered in connection with brokerage activities and no customer funds are held.

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k)(1) for the year ended December 31, 2017 without exception.

**CNA Investor Services, Inc.**

I, **Howard Spindel**, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By:  \_\_\_\_\_

Title: CCO

Date: 2/22/18