

LOEWS CORP
Form 424B5
November 08, 2005
Table of Contents

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Registraton No. 333-123104

PROSPECTUS SUPPLEMENT

(To Prospectus Dated May 16, 2005)

10,000,000 Shares

Loews Corporation

Carolina Group Stock

Loews Corporation is offering 10,000,000 shares of Carolina Group stock by this prospectus supplement. Carolina Group stock is a separate class of Loews Corporation common stock designed to track the performance of the Carolina Group, which consists of Loews's ownership interest in its wholly-owned subsidiary, Lorillard, Inc., together with the notional, intergroup debt and certain other liabilities described in this prospectus supplement and the accompanying prospectus. Holders of Carolina Group stock are common stockholders of Loews and subject to all the risks of an equity investment in Loews and all of its businesses, assets and liabilities.

The Carolina Group stock is listed for trading on the New York Stock Exchange under the symbol CG. On November 7, 2005, the last reported sale price of Carolina Group stock on the New York Stock Exchange was \$42.33.

Investing in Carolina Group stock involves risks. See Risk Factors Carolina Group Stock and Risk Factors The Carolina Group beginning on pages S-10 and S-17, respectively.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Public Offering Price	\$41.70	\$417,000,000
Underwriting Discount	\$ 0.19	\$ 1,900,000
Proceeds to Loews, before expenses	\$41.51	\$415,100,000

The underwriters expect to deliver the Carolina Group stock against payment in New York, New York on or about November 14, 2005.

Citigroup

Morgan Stanley

Prospectus Supplement dated November 7, 2005

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>About This Prospectus Supplement</u>	S-3
<u>Where You Can Find More Information</u>	S-4
<u>Prospectus Supplement Summary</u>	S-5
<u>Risk Factors - Carolina Group Stock</u>	S-10
<u>Risk Factors - The Carolina Group</u>	S-17
<u>Use Of Proceeds</u>	S-25
<u>Certain U.S. Federal Tax Consequences</u>	S-26
<u>Underwriting</u>	S-28
<u>Experts</u>	S-30
<u>Legal Matters</u>	S-30
Prospectus	
About This Prospectus	1
About Loews Corporation	1
Where You Can Find More Information	3
Use Of Proceeds	4
Computation Of Ratio Of Earnings To Fixed Charges	4
Description Of Debt Securities	5
Description Of Loews Capital Stock	11
Relationship Between The Loews Group And The Carolina Group	24
Description Of Warrants	29
Description Of Stock Purchase Contracts And Stock Purchase Units	29
Plan Of Distribution	30
Legal Matters	33
Experts	33

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the shares of Carolina Group stock we are offering and certain other matters relating to us and our financial condition. The second part, the prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the Carolina Group stock we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the Carolina Group stock in this prospectus supplement differs from the description of Carolina Group stock in the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. The information which appears in this prospectus supplement, the accompanying prospectus and any document incorporated by reference may only be accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

In accordance with standard industry practice, market share data presented in this document is based on the number of individual cigarettes shipped. Lorillard, Inc. and its subsidiaries primarily rely on Management Science Associates, Inc., or Management Science Associates, for market share assessments. Management Science Associates is an independent third-party database management organization which collects wholesale shipment data from various cigarette manufacturers and provides analysis of market share, unit sales volume and premium versus discount mix for individual companies and the industry as a whole. Management Science Associates makes its quarterly data available more quickly than other industry data sources. Accordingly, we have historically utilized data from Management Science Associates for presentation of information in our periodic reports. Management Science Associates' information relating to unit sales volume and market share of certain of the smaller, primarily deep discount, cigarette manufacturers is based on estimates derived by Management Science Associates.

Effective June of 2004, Management Science Associates changed the way it reports market share information to include actual units shipped by Commonwealth Brands, Inc., a marketer of deep discount brands, and implemented a new model for estimating unit sales of smaller, primarily deep discount, marketers. Management Science Associates has restated its reports to reflect these changes as of January 1, 2001. As a result of these changes, market share for Lorillard, Philip Morris and Reynolds American Inc. is lower than had been reflected under Management Science Associates' prior methodology, while market share for Commonwealth Brands, Inc. and other lower volume companies is higher. All industry data and market share information in this prospectus supplement and the periodic reports incorporated herein reflect Management Science Associates' revised reporting data.

Despite the effects of Management Science Associates' new estimation model for deep discount manufacturers, Lorillard management continues to believe that volume and market share information for these manufacturers are understated and, correspondingly, share information for the larger manufacturers, including Lorillard, are overstated by Management Science Associates.

Newport, Kent, True, Satin, Maverick and Old Gold are registered trademarks of Lorillard and its subsidiaries.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read and copy any reports or other information that we file with the SEC at the SEC's Public Reference Room located at Station Place, 100 F Street, N.E., Washington, D.C. 20549. You may also receive copies of these documents upon payment of a duplicating fee by writing to the SEC's Public Reference Room. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room in Washington, D.C. and other locations. Our SEC filings are also available to the public from commercial documents retrieval services, at our website (www.loews.com) and at the SEC's website (www.sec.gov). Information on our website is not incorporated into this prospectus supplement, the accompanying prospectus or our other SEC filings, and is not a part of this prospectus supplement, the accompanying prospectus or those filings.

The SEC allows us to incorporate by reference the information that we file with them into this prospectus supplement. This means that we can disclose important information to you by referring you to other documents filed separately with the SEC, including our annual, quarterly and current reports. The information incorporated by reference is considered to be a part of this prospectus supplement, except for any information that is modified or superseded by information contained in this prospectus supplement or any other subsequently filed document. The information incorporated by reference is an important part of this prospectus supplement and accompanying prospectus. All documents filed (but not those that are furnished) by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the termination of this offering will be incorporated by reference into this prospectus supplement and will automatically update and supersede the information in this prospectus supplement, the accompanying prospectus and any previously filed document.

The following documents have been filed by us with the SEC (File No. 1-6541) and are incorporated by reference into this prospectus supplement:

Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004;

Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005;

Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005;

Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005;

Current Reports on Form 8-K filed on January 5, 2005, January 24, 2005, January 28, 2005, February 15, 2005, March 22, 2005, March 24, 2005, May 3, 2005 (other than items 2.02 and 9.01), May 13, 2005, June 20, 2005, July 5, 2005 and August 16, 2005; and

The description of Carolina Group stock contained in our Registration Statement on Form 8-A filed on January 28, 2002, and any amendment or report filed thereafter for the purposes of updating such information.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon written or oral request, a copy of any or all of the foregoing documents incorporated herein by reference (other than exhibits unless such exhibits are specifically incorporated by reference in such documents). Requests for such documents should be directed to Loews Corporation, 667 Madison Avenue, New York, NY 10021-8087, Attention: Corporate Secretary (telephone: (212) 521-2000).

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from this document and may not contain all of the information that is important to you. To better understand this offering you should read this entire document carefully, as well as those additional documents to which we refer you. See Where You Can Find More Information. All references to Loews, we, our, or us in this prospectus supplement or the accompanying prospectus are to Loews Corporation. All references to Lorillard are to Lorillard, Inc. and its subsidiaries.

The Carolina Group

General

Loews has two classes of common stock: Loews common stock and Carolina Group stock. Holders of Loews' common stock and of Carolina Group stock are shareholders of Loews Corporation. The Carolina Group stock, commonly called a tracking stock, is designed to reflect the economic performance of a defined group of assets and liabilities of Loews referred to as the Carolina Group.

The principal asset attributed to the Carolina Group is Loews' 100% stock ownership interest in Lorillard, Inc. Lorillard is engaged through its subsidiaries in the production and sale of cigarettes in the United States, including Puerto Rico and certain U.S. territories. Lorillard became a wholly owned subsidiary of Loews in 1971.

Lorillard ranks third overall in the U.S. cigarette industry, with an approximately 8.8% share of the market in 2004. Total shipments for the U.S. cigarette market in 2004 were approximately 394.5 billion units. Newport, a menthol flavored premium brand, and Lorillard's largest selling brand, was the second largest selling brand in the United States in 2004. Newport accounted for approximately 7.9% of units shipped in the United States in 2004, second only to Marlboro, Philip Morris USA, Inc.'s leading brand. Newport is the largest selling brand in the menthol segment of the U.S. cigarette market, with an approximately 31% share of that segment in 2004. Newport accounted for approximately 91.0% of Lorillard's units shipped in 2004 and approximately 92% of Lorillard's units shipped in the nine-month period ended September 30, 2005. The Lorillard product line is comprised of seven brand families. In addition to Newport, Lorillard currently markets cigarettes under the Kent, True, Maverick, Old Gold, Max and Satin brand names.

Carolina Group Assets and Liabilities

The following assets and liabilities have been attributed to the Carolina Group:

Loews' 100% stock ownership interest in Lorillard, Inc.;

notional, intergroup debt in original aggregate principal amount of \$2.5 billion, of which \$1.7 billion was outstanding at September 30, 2005, owed by the Carolina Group to the Loews Group, bearing interest at the annual rate of 8.0% and, subject to

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optional prepayment, due December 31, 2021; and

any and all liabilities, costs and expenses of Loews and Lorillard, Inc. and the subsidiaries and predecessors of Lorillard, Inc., arising out of or related to tobacco or otherwise arising out of the past, present or future business of Lorillard, Inc. or its subsidiaries or predecessors, or claims arising out of or related to the sale of any businesses previously sold by Lorillard, Inc. or its subsidiaries or predecessors, in each case, whether grounded in tort, contract, statute or otherwise, whether pending or asserted in the future.

We will also attribute the following additional assets and liabilities to the Carolina Group:

all net income or net losses arising from the assets and liabilities that are reflected in the Carolina Group and all net proceeds from any disposition of those assets, in each case, after deductions to reflect dividends paid to holders of Carolina Group stock or credited to the Loews Group in respect of its intergroup interest; and

any acquisitions or investments utilizing assets reflected in the Carolina Group.

S-5

Table of Contents

The remaining interest in the Carolina Group not represented by Carolina Group stock issued to the public is an asset of the Loews Group. This asset is referred to as the Loews Group's intergroup interest in the Carolina Group.

The Loews Group

The Loews Group consists of all of Loews's assets and liabilities other than the ownership interest in the Carolina Group represented by the outstanding Carolina Group stock, and includes as an asset the notional, intergroup debt of the Carolina Group. The principal assets of the Loews Group include:

CNA Financial Corporation (91% ownership) a commercial property and casualty insurance organization;

Boardwalk Pipelines, LLC (wholly owned) an operator of interstate natural gas pipeline systems;

Diamond Offshore Drilling, Inc. (55% ownership) an owner and operator of offshore oil and gas drilling rigs;

Loews Hotels Holding Corporation (wholly owned) an operator of hotels and resorts;

Bulova Corporation (wholly owned) a distributor and marketer of watches and clocks; and

Carolina Group (majority of economic interest represented by an intergroup interest).

Our principal executive offices are at 667 Madison Avenue, New York, New York 10021-8087. Our telephone number is (212) 521-2000. We are incorporated under the laws of the State of Delaware.

Financial Information

The consolidating condensed financial information for the Carolina Group and the Loews Group is located in Note 4 of the Notes to the Consolidated Condensed Financial Statements in Loews's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and Note 6 of the Notes to the Consolidated Financial Statements in Loews's Annual Report on Form 10-K/A for the year ended December 31, 2004, both of which are incorporated by reference into this prospectus supplement. The Carolina Group is a notional group that reflects the performance of a defined set of assets and liabilities. The Carolina Group is not a separate legal entity. The purpose of this information is to provide investors with additional information to use in analyzing the results of operations and financial condition of the Carolina Group, and should be read in conjunction with the consolidated financial statements of Loews.

Principal Terms of Carolina Group Stock

Voting Rights

Each outstanding share of Carolina Group stock has 1/10 of a vote per share. The voting rights of Carolina Group stock are subject to adjustments to reflect stock splits, reverse stock splits, stock dividends or certain stock distributions with respect to Loews common stock and Carolina Group stock. Except as otherwise required by Delaware law or any special voting rights of any class or series of Loews preferred stock or any other class of Loews common shares, holders of shares of Carolina Group stock vote as one class with holders of shares of Loews common stock with respect to all matters to be voted on by the shareholders of Loews.

S-6

Table of Contents

Dividends

Dividends on Carolina Group stock are limited to an available dividend amount equal to the lesser of:

the assets of Loews legally available for dividends; and

the amount that would legally be available for dividends on Carolina Group stock if the Carolina Group were a separate Delaware corporation.

Any dividend paid on one class of stock will reduce the amount available to pay future dividends on both classes of common stock. While we cannot assure you that we will continue to do so, we currently intend to pay a quarterly dividend on Carolina Group stock of \$0.455 per share. The payment of dividends on Carolina Group stock is a business decision that our board of directors will make from time to time based upon the dividends paid to Loews by its subsidiaries, the capital requirements of Loews and other factors that our board of directors considers relevant. The failure of the independent boards of directors of Lorillard Tobacco Company or Lorillard, Inc. to pay dividends to us could lead to our decreasing or eliminating dividends on Carolina Group stock.

Redemption

Redemption in exchange for shares of Loews common stock or cash following a tax event. At any time following the occurrence of a tax event, which we describe under Description of Loews Capital Stock Carolina Group Stock Redemption in the accompanying prospectus, our board of directors, in its sole discretion, may redeem all outstanding shares of Carolina Group stock for (1) that number of shares of Loews common stock equal to 100% of the ratio of the average market price per share of Carolina Group stock to the average market price per share of Loews common stock or (2) cash equal to 105% of the average market price per share of Carolina Group stock. In each case, the average market price would be determined over a specified 20 trading day period.

Redemption in exchange for shares of Loews common stock or cash. At any time until the 90th day after the occurrence of a disposition of all or substantially all of the assets attributed to the Carolina Group, our board of directors, in its sole discretion, may redeem all outstanding shares of Carolina Group stock for (1) that number of shares of Loews common stock equal to 115% of the ratio of the average market price per share of Carolina Group stock to the average market price per share of Loews common stock or (2) cash equal to 120% of the average market price per share of Carolina Group stock. In each case, the average market price would be determined over a specified 20 trading day period.

Redemption in exchange for stock of qualifying subsidiaries. Loews may, in its sole discretion, at any time, without shareholder approval, redeem all outstanding shares of Carolina Group stock in exchange for common stock of one or more subsidiaries of Loews that satisfies certain requirements under the Internal Revenue Code of 1986, as amended, and that directly or indirectly holds all of the assets and liabilities of the Carolina Group (and no other material assets or liabilities).

Redemption in connection with significant transactions. If 80% or more of the assets attributed to the Carolina Group are sold, transferred, assigned or otherwise disposed of, Loews may take one of the following actions on or prior to the 90th calendar day following the disposition date, and if Loews receives any net proceeds from the sale and determines not to retain all of the proceeds as tobacco contingency reserves, Loews must take one of the following actions on or prior to the 90th calendar day following the disposition:

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Loews will pay a special dividend to holders of Carolina Group stock in an amount equal to their pro rata share of the net proceeds (subject to reduction for repayment of notional debt, amounts not distributed from Lorillard to Loews and the creation by Loews of reserves for tobacco-related contingent liabilities and future costs) from the disposition in the form of cash and/or securities (other than Loews common stock);

S-7

Table of Contents

Loews will redeem shares of Carolina Group stock for cash and/or securities (other than Loews common stock) in an amount equal to the pro rata share of the net proceeds (subject to reduction for repayment of notional debt) from the disposition of all of the assets attributable to the Carolina Group.

Loews will redeem shares of Carolina Group stock for shares of Loews common stock at a 15% premium based on the respective market values of Carolina Group stock and Loews common stock during the 20 consecutive trading days ending on the 5th trading day prior to announcement of the sale; or

Loews will take some combination of the actions described above.

Our board of directors has the discretion to choose among the foregoing options.

If, on the 91st day following the sale of 80% or more of the assets attributed to the Carolina Group, Loews has not redeemed all of the outstanding shares of Carolina Group stock and if Lorillard subsequently distributes to Loews any previously undistributed portion of the net proceeds and/or Loews subsequently releases any amount of net proceeds previously retained by Loews as a reserve for tobacco-related contingent liabilities or future costs, Loews will distribute the pro rata share of such amounts to holders of Carolina Group stock. At any time after:

Lorillard has distributed to Loews all previously undistributed portions of the net proceeds;

no amounts remain in reserve in respect of tobacco-related contingent liabilities and future costs; and

the remaining assets of the Carolina Group consist solely of cash and/or cash equivalents, then

Loews may redeem all of the outstanding shares of Carolina Group stock for the greater of (1) the pro rata share of the remaining assets of the Carolina Group, and (2) \$.001 per share of Carolina Group stock.

Risk Factors

See **Risk Factors Carolina Group Stock** and **Risk Factors The Carolina Group**, beginning on pages S-10 and S-17, respectively, for a discussion of risks relating to an investment in the Carolina Group stock offered through this prospectus supplement and the business of the Carolina Group.

Table of Contents

The Offering

Carolina Group stock offered 10,000,000 shares (representing 5.8% of the economic interest in the Carolina Group)

Carolina Group stock to be outstanding after this offering 78,182,178 shares (representing 45.0% of the economic interest in the Carolina Group)

Loews Group intergroup interest expressed in Carolina Group share equivalents as of October 31, 2005 105,445,000 shares (representing 60.7% of the economic interest in the Carolina Group)

Loews Group intergroup interest expressed in Carolina Group share equivalents after this offering 95,445,000 shares (representing 55.0% of the economic interest in the Carolina Group)

Carolina Group shares and Carolina Group share equivalents to be outstanding after this offering 173,627,178 shares (representing 100% of the economic interest in the Carolina Group)

New York Stock Exchange symbol CG

Use of proceeds The net proceeds from this offering, estimated to be approximately \$415,100,000 million (before expenses), will be allocated to the Loews Group and used for its general corporate purposes.

Loews has a Carolina Group stock option plan for the officers, employees, non-employee directors and consultants of Lorillard. As of September 30, 2005, options to purchase an aggregate of 552,572 shares of Carolina Group stock were outstanding, with a weighted average exercise price of \$28.45 per share, and options to purchase up to 731,750 shares of Carolina Group stock remain available for grant under the stock option plan. The number of shares and share equivalents of Carolina Group stock to be outstanding after this offering does not include these shares.

Table of Contents

RISK FACTORS CAROLINA GROUP STOCK

You should consider the following factors, in addition to the other information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents that are incorporated by reference into this prospectus supplement, in connection with this offering.

We cannot assure you that Loews will continue to pay dividends on Carolina Group stock.

Determinations as to the future dividends on Carolina Group stock primarily will depend on the dividends paid to Loews by its subsidiaries, the capital requirements of Loews and other factors that our board of directors considers relevant. While we cannot assure you that we will continue to do so, we currently intend to pay a quarterly dividend of \$0.455 per share on Carolina Group stock. The amount of dividends that legally could be paid on Carolina Group stock if the Carolina Group were a separate Delaware corporation may be greater than the amount actually available for the payment of dividends under Delaware law and our charter. Furthermore, our ability to pay dividends on Carolina Group stock may be reduced by dividends that we pay on Loews common stock.

Our board of directors reserves the right to declare and pay dividends on Carolina Group stock, and could, in its sole discretion, declare and pay dividends, or refrain from declaring and paying dividends, on Carolina Group stock. Our board of directors may take such actions regardless of the amounts available for the payment of dividends for Carolina Group stock, the amount of prior dividends declared on Carolina Group stock, the voting or liquidation rights of Carolina Group stock, or any other factor. See Description of Loews Capital Stock Carolina Group Stock Dividends in the accompanying prospectus for detailed information on the dividends we are permitted to pay with respect to Carolina Group stock.

Dividends on Carolina Group stock, if any, will be payable out of the lesser of:

the assets of Loews legally available for the payment of dividends; and

the Carolina Group's available dividend amount, which is intended to be the amount that would legally be available for the payment of dividends if the Carolina Group were a separate Delaware corporation.

Loews's ability to pay dividends on Carolina Group stock may be limited by Loews's holding company structure.

Loews is a holding company. Loews is dependent on the cash flows of its subsidiaries and cash distributions from those subsidiaries to Loews. The subsidiaries are separate and independent legal entities and have no obligation, contingent or otherwise, to make funds available to Loews, whether in the form of loans, dividends or otherwise. In addition, Loews's subsidiaries may become parties to financing arrangements which contain limitations on the ability of such subsidiaries to pay dividends or to make loans or advances to Loews. In the event of any insolvency, bankruptcy or similar proceedings of a subsidiary, creditors of such subsidiary would generally be entitled to priority over Loews with respect to assets of the affected subsidiary.

The independence of the board of directors of Lorillard, Inc. and the board of directors of its wholly owned subsidiary, Lorillard Tobacco Company, may affect Lorillard's payment of dividends to Loews and thereby inhibit Loews's ability or willingness to pay dividends and make other distributions on Carolina Group stock.

Loews's ability and willingness to pay dividends and make other distributions on Carolina Group stock, including dividends and distributions following a disposition of substantially all of the assets attributed to the Carolina Group, will depend on a number of factors, including whether the independent board of directors of Lorillard Tobacco Company causes Lorillard Tobacco Company to declare dividends to its parent, Lorillard, Inc.

S-10

Table of Contents

and whether, in turn, the independent board of directors of Lorillard, Inc. causes Lorillard, Inc. to declare dividends to Loews. In the event that Lorillard Tobacco Company or Lorillard, Inc. does not distribute its earnings, Loews is unlikely to pay dividends on Carolina Group stock. To the extent Lorillard, Inc. does not distribute net proceeds following the sale of substantially all of the assets attributed to the Carolina Group, Loews will not be required to apply the net proceeds to pay dividends to holders of Carolina Group stock or redeem shares of Carolina Group stock.

We expect that the boards of directors of each of Lorillard, Inc. and Lorillard Tobacco Company will continue to function independently of Loews and will direct the operations and management of the assets and businesses of those corporations, respectively. None of the individuals currently serving as directors of Lorillard, Inc. or Lorillard Tobacco Company are officers, directors or employees of Loews. Notwithstanding Loews's right, as sole shareholder, to elect and remove directors of Lorillard, Inc., Loews has no present intention to remove any person currently serving as a director of Lorillard, Inc. Moreover, Loews expects that in the event of any future vacancies on the board of directors of Lorillard, Inc., Loews will nominate individuals who are not officers, directors or employees of Loews to fill such vacancies.

Holders of Loews common stock and Carolina Group stock are shareholders of one company and, therefore, financial impacts on one group could affect the other group.

Holders of Loews common stock and holders of Carolina Group stock are all common shareholders of Loews and are subject to risks associated with an investment in a single company. Financial effects arising from one group that affect Loews's consolidated results of operations or financial condition could, if significant, affect the market price of the class of common shares relating to the other group. In addition, if Loews or any of its subsidiaries were to incur significant indebtedness on behalf of one group, including indebtedness incurred or assumed in connection with an acquisition or investment, it could affect the credit rating of Loews and its subsidiaries taken as a whole. This, in turn, could increase the borrowing costs of Loews. Net losses of either group and dividends or distributions on shares of any class of common or preferred stock will reduce the funds of Loews legally available for payment of future dividends on Carolina Group stock.

The market price of Carolina Group stock may not reflect the financial performance and economic value of the Carolina Group as we intend and may not effectively track the separate performance of the Carolina Group.

The market price of Carolina Group stock may not reflect the financial performance and economic value of the Carolina Group as we intend. The performance of Loews as a whole may affect the market price of Carolina Group stock or the market price of Carolina Group stock could more independently reflect the performance of the Carolina Group. Investors may discount the value of Carolina Group stock because the Carolina Group is not a separate legal entity.

The complex nature of the terms of Carolina Group stock, or confusion in the marketplace about what a tracking stock is, could materially adversely affect the market price of Carolina Group stock.

Tracking stocks like Carolina Group stock are more complex than traditional common stock and are not directly or entirely comparable to common stock of stand-alone companies or companies that have been spun off by their parent companies. The complex nature of the terms of Carolina Group stock, and the potential difficulties investors may have in understanding these terms, may materially adversely affect the market price of Carolina Group stock. Examples of these terms include:

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the discretion of our board of directors to make determinations that may affect Carolina Group stock and Loews common stock differently;

Loews' s redemption and/or exchange rights under particular circumstances, described elsewhere in the accompanying prospectus; and

the disparate voting rights of Carolina Group stock and Loews common stock.

S-11

Table of Contents

Confusion in the marketplace about what a tracking stock is and what it is intended to represent, and/or investors' reluctance to invest in tracking stocks, could materially adversely affect the market price of Carolina Group stock.

Investors may not be able to resell their shares at or above the offering price.

The price at which the shares of Carolina Group stock may sell in the public market after this offering may be lower than the offering price. In addition, the following factors, some of which are beyond our control, may cause the market price of Carolina Group stock to fluctuate and such fluctuations could be significant:

tobacco-related litigation and other contingencies affecting Lorillard or others in the tobacco business;

variations in Lorillard's quarterly operating results;

changes by securities analysts in financial estimates or investment recommendations relating to Carolina Group stock;

changes in market valuations of other tobacco-related companies; and

the potential for future sales or issuances of Loews common stock or Carolina Group stock.

The trading price of Carolina Group stock has ranged from a closing price high of \$42.82 on November 2, 2005 to a closing price low of \$17.43 on April 1, 2003.

Holders of Loews common stock and Carolina Group stock generally vote together as a single class.

Holders of Carolina Group stock generally do not have the right to vote separately as a class. Holders of Carolina Group stock have the right to vote as a separate class only to the extent required by Delaware law. We have not held, and do not plan to hold, separate meetings for holders of Carolina Group stock.

Holders of Loews common stock will have significantly greater voting power than holders of Carolina Group stock with respect to any matter as to which all of our common shares vote together as one class.

Currently, each share of Loews common stock has one vote. Each share of Carolina Group stock is entitled to 1/10 of a vote, which is disproportionately less than the economic interest represented by each share of Carolina Group stock. When a vote is taken on any matter as to which all of our common shares are voting together as one class, holders of Loews common stock will have significantly greater voting power than holders of Carolina Group stock. Immediately following this offering, holders of Loews common stock will control 95.96% of the combined voting power of Loews and holders of Carolina Group stock will control 4.04% of the combined voting power of Loews. The voting power of Carolina Group stock is subject to adjustment for stock splits, stock dividends and combinations with respect to either class of stock.

Holders of Carolina Group stock may have interests different from holders of Loews common stock.

The existence of separate classes of our common stock could give rise to occasions when the interests of the holders of Loews common stock and Carolina Group stock diverge or conflict or appear to diverge or conflict. Subject to its fiduciary duties, our board of directors could, in its sole discretion, from time to time, make determinations or implement policies that disproportionately affect the groups or the different classes of stock. Our board of directors is not required to select the option that would result in the highest value for the holders of Carolina Group stock. Examples include determinations by our board of directors to:

pay or omit the payment of dividends on Loews common stock or Carolina Group stock;

redeem shares of Carolina Group stock;

approve dispositions of Loews assets attributed to either group;

S-12

Table of Contents

reallocate funds or assets between groups and determine the amount and type of consideration paid therefor;

allocate business opportunities, resources and personnel;

allocate the proceeds of issuances of Carolina Group stock either to the Loews Group, with a corresponding reduction in the intergroup interest, if and to the extent there is an intergroup interest, or to the combined attributed net assets of the Carolina Group;

formulate public policy positions for Loews;

establish relationships between the groups;

make financial decisions with respect to one group that could be considered to be detrimental to the other group; and

settle or otherwise seek to resolve actual or potential litigation against Loews in ways that might adversely affect Lorillard.

Any such decisions by our board of directors could have or be perceived to have a negative effect on the Carolina Group and could have a negative effect on the market price of Carolina Group stock.

If Carolina Group stock is not treated as a class of common stock of Loews, several adverse federal income tax consequences will result.

It is possible that the issuance of Carolina Group stock could be characterized as property other than stock of Loews for U.S. federal income tax purposes. Such characterization could require Loews to recognize taxable gain with respect to the issuance of Carolina Group stock and, according to the Carolina Group policy statement, the Carolina Group would be responsible for any tax liability attributable thereto. In addition, Loews would likely no longer be able to file a consolidated U.S. federal income tax return with the Carolina Group. See *Relationship Between the Loews Group and the Carolina Group Relationship with Loews Taxes* in the accompanying prospectus. These tax liabilities, if they arise, would likely have a material adverse effect on Loews and the Carolina Group.

Changes in the tax law or in the interpretation of current tax law may result in redemption of the Carolina Group stock or cessation of the issuance of shares of Carolina Group stock.

If there are adverse tax consequences to Loews or the Carolina Group resulting from the issuance of Carolina Group stock, it is possible that we would not issue shares of Carolina Group stock even if we would otherwise choose to do so. This possibility could affect the value of Carolina Group stock then outstanding. Furthermore, we are entitled to redeem Carolina Group stock for either (1) cash in an amount equal to 105% of the average market price per share of Carolina Group stock or (2) Loews common stock having a value equal to 100% of the ratio of the average market price per share of Carolina Group stock to the average market price per share of Loews common stock, if, based upon the opinion of tax counsel, there are adverse federal income tax law developments related to Carolina Group stock. In each case, the average market price would be determined over a specified 20 trading day period.

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Our board of directors may, at any time until the 90th day after the disposition of 80% of the assets attributed to the Carolina Group, redeem shares of Carolina Group stock.

Our board of directors may, at any time until the 90th day after the disposition of 80% of the assets attributed to the Carolina Group, redeem all outstanding shares of Carolina Group stock for either (1) cash in an amount equal to 120% of the average market price per share of Carolina Group stock or (2) Loews common stock having a value equal to 115% of the ratio of the average market price per share of Carolina Group stock to the average market price per share of Loews common stock. In each case, the average market price would be

S-13

Table of Contents

determined over a specific 20 trading day period. A decision to redeem the Carolina Group stock could be made at a time when either or both of the Loews common stock and Carolina Group stock may be considered to be overvalued or undervalued. In addition, a redemption would preclude holders of Carolina Group stock from retaining their investment in a security intended to reflect separately the economic performance of the Carolina Group. It would also give holders of shares of converted Carolina Group stock an amount of consideration that may be less than the amount of consideration a third-party buyer pays or would pay for all or substantially all of the net assets attributed to the Carolina Group. For further details, see Description of Loews Capital Stock Carolina Group Stock Redemption in the accompanying prospectus.

If we choose to redeem Carolina Group stock for cash, holders of Carolina Group stock may have taxable gain or taxable income.

We may, under certain circumstances, redeem Carolina Group stock for cash. If we choose to do so, holders of Carolina Group stock would generally be subject to tax on the excess, if any, of the total consideration they receive for their Carolina Group stock over their adjusted basis in their Carolina Group stock.

Our board of directors does not owe a separate duty to holders of Carolina Group stock.

Principles of Delaware law established in cases involving differing treatment of two classes of capital stock or two groups of holders of the same class of capital stock provide that a board of directors owes an equal duty to all shareholders regardless of class or series, and does not have separate or additional duties to either group of shareholders. Thus, holders of Carolina Group stock who believe that a determination by our board of directors has a disparate impact on their class of stock may not be able to obtain a remedy for such a claim.

Our board of directors may change the Carolina Group policy statement without shareholder approval.

In connection with the initial issuance of Carolina Group stock, our board of directors adopted the Carolina Group policy statement, which is described in and incorporated by reference into this prospectus, to govern the relationship between the Loews Group and the Carolina Group. Our board of directors may modify, suspend or rescind the policies set forth in the policy statement or make additions or exceptions to them, in the sole discretion of our board of directors, without approval of our shareholders. Our board of directors may also adopt additional policies, depending upon the circumstances. Any changes to our policies could have a negative effect on the holders of Carolina Group stock.

Our directors and officers disproportionate ownership of Loews common stock compared to Carolina Group stock may give rise to conflicts of interest.

Our directors and officers own shares of Loews common stock and have been awarded stock options with respect to shares of Loews common stock. As of October 31, 2005 our directors and executive officers beneficially owned 35,917,786 shares of Loews common stock and no shares of Carolina Group stock, which represents approximately 18.65% of the combined voting power of Loews. Accordingly, our directors and officers could have an economic incentive to favor the Loews Group over the Carolina Group.

Because it is possible for an acquiror to obtain control of Loews by purchasing shares of Loews common stock without purchasing any shares of Carolina Group stock, holders of Carolina Group stock may not share in any takeover premium.

Because holders of Loews common stock have significantly greater voting power than holders of Carolina Group stock, a potential acquiror could acquire control of Loews by acquiring shares of Loews common stock without purchasing any shares of Carolina Group stock. As a result, holders of Carolina Group stock might not share in any takeover premium and Carolina Group stock may have a lower market price than it would have if there were a greater likelihood that holders of Carolina Group stock would share in any takeover premium.

Table of Contents

Holders of Carolina Group stock may receive less consideration upon a sale of the assets attributed to the Carolina Group than if the Carolina Group were a separate company.

Assuming the assets attributed to the Carolina Group represent less than substantially all of the assets of Loews as a whole, our board of directors could, in its sole discretion and without shareholder approval, approve sales and other dispositions of any amount of the assets owned by Loews and attributed to the Carolina Group because the Delaware General Corporation Law requires shareholder approval only for a sale or other disposition of all or substantially all of the assets of the entire company. Similarly, the boards of directors of Lorillard, Inc. or its subsidiaries could decide to sell or otherwise dispose of the operating and other assets reflected in the financial statements of the Carolina Group without the approval of holders of Carolina Group stock.

If 80% or more of the assets attributed to the Carolina Group are sold, Loews may take one of the following actions, and if Loews receives any net proceeds from the sale and determines not to retain all of such proceeds as tobacco contingency reserves, Loews must take one of the following actions:

Loews will pay a special dividend to holders of Carolina Group stock in an amount equal to their pro rata share of the net proceeds (subject to reduction for repayment of notional debt, amounts not distributed from Lorillard to Loews and the creation by Loews of reserves for tobacco-related contingent liabilities and future costs) from the disposition in the form of cash and/or securities (other than Loews common stock);

Loews will redeem shares of Carolina Group stock for cash and/or securities (other than Loews common stock) in an amount equal to the pro rata share of the net proceeds (subject to reduction for repayment of notional debt) from the disposition of all of the assets attributable to the Carolina Group;

Loews will redeem shares of Carolina Group stock for shares of Loews common stock at a 15% premium based on the respective market values of Carolina Group stock and Loews common stock during the 20 consecutive trading days ending on the 5th trading day prior to announcement of the sale; or

Loews will take some combination of the actions described above.

Our board of directors has the discretion to choose from the foregoing options. The value of the consideration paid to holders of Carolina Group stock in the different scenarios described above could be significantly different. Our board of directors would not be required to select the option that would result in the distribution with the highest value to the holders of Carolina Group stock.

If, on the 91st day following the sale of 80% or more of the assets attributed to the Carolina Group, Loews has not redeemed all of the outstanding shares of Carolina Group stock and Lorillard subsequently distributes to Loews any previously undistributed portion of the net proceeds and/or Loews subsequently releases any amount of net proceeds previously retained by Loews as a reserve for tobacco-related contingent liabilities or future costs, Loews will distribute the pro rata share of such amounts to holders of Carolina Group stock. At any time after:

Lorillard has distributed to Loews all previously undistributed portions of the net proceeds;

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no amounts remain in reserve in respect of tobacco-related contingent liabilities and future costs; and

the only asset remaining in the Carolina Group is cash and/or cash equivalents,

Loews may redeem all of the outstanding shares of Carolina Group stock for cash in an amount equal to the greater of (1) the pro rata share of the remaining assets of the Carolina Group and (2) \$0.001 per share of Carolina Group stock. See Description of Loews Capital Stock Carolina Group Stock Redemption Redemption in connection with certain significant transactions in the accompanying prospectus.

If the Carolina Group were a separate, independent company and its shares were acquired by another person, some of the costs of that sale, including corporate level taxes, might not be payable in connection with

S-15

Table of Contents

that acquisition. As a result, shareholders of a separate, independent company might receive an amount greater than the net proceeds that would be received by the holders of Carolina Group stock. In addition, we cannot assure you that the net proceeds per share of Carolina Group stock received by its holder in connection with any redemption following a sale of Carolina Group assets will be equal to or greater than the market value per share of Carolina Group stock prior to or after announcement of a sale of assets reflected in the Carolina Group. Nor can we assure you that where consideration is based on the market value of Carolina Group stock that the market value will be equal to or greater than the net proceeds per share of Carolina Group stock.

Loews may cause a mandatory exchange of Carolina Group stock.

Loews may exchange all outstanding shares of Carolina Group stock for shares of one or more qualifying subsidiaries of Loews. Such an exchange would result in the qualifying subsidiary or subsidiaries becoming a separate public company and the holders of Carolina Group stock owning shares directly in that subsidiary or those subsidiaries. If Loews chooses to exchange shares of Carolina Group stock in this manner, the market value of the common stock received in that exchange could be less than the market value of Carolina Group stock exchanged.

Future sales of Carolina Group stock and Loews common stock could adversely affect the market price of Carolina Group stock and our ability to raise capital in the future.

Future sales of substantial amounts of Carolina Group stock or Loews common stock in the public market could depress the market price of Carolina Group stock. Such sales could also impair Loews' ability to raise capital in the future. All of the 68,182,178 shares of Carolina Group stock that we have previously issued are, and the shares of Carolina Group stock that we sell to the public in this offering will be, freely tradable without restriction under the Securities Act of 1933, as amended, by persons other than affiliates of Loews, as defined under the Securities Act. Any sales of substantial amounts of Carolina Group stock or Loews common stock in the public market, or the perception that such sales might occur, whether as a result of this offering or otherwise, could materially adversely affect the market price of Carolina Group stock. Our board of directors has not and does not plan to solicit the approval of holders of Carolina Group stock prior to the issuance of authorized but unissued shares of Loews common stock or Carolina Group stock unless that approval is deemed advisable by our board of directors or is required by applicable law, regulation or stock exchange listing requirements.

If we liquidate Loews, amounts distributed to holders of Carolina Group stock may not reflect the value of the assets attributed to the Carolina Group.

In the event of a liquidation, we would determine the liquidation rights of the holders of Carolina Group stock in accordance with the market capitalization of the outstanding shares of the Loews Group and the Carolina Group at a specified time prior to the time of liquidation. However, the relative market capitalization of the outstanding shares of each group may not correctly reflect the value of the net assets remaining and attributed to the groups after satisfaction of outstanding liabilities. Accordingly, the holders of Carolina Group stock could receive less consideration upon liquidation than they would if the groups were separate entities.

Table of Contents**RISK FACTORS THE CAROLINA GROUP**

A \$16.3 billion judgment has been rendered against Lorillard in the *Engle* litigation; if this judgment is ultimately upheld and enforced, or the stay of the judgment is terminated, the judgment could result in the loss of all or substantially all of the value of any outstanding shares of Carolina Group stock.

Engle v. R.J. Reynolds Tobacco Co., et al. (Circuit Court, Dade County, Florida, filed May 5, 1994) was certified as a class action on behalf of Florida residents, and survivors of Florida residents, who were injured or died from medical conditions allegedly caused by addiction to cigarettes. During 2000, a jury awarded approximately \$16.3 billion in punitive damages against Lorillard as part of a \$145.0 billion verdict against Lorillard and the other major tobacco companies, which bears interest at the rate of 10% per year. During May of 2003, a Florida appellate court reversed the judgment and decertified the class. The Florida Supreme Court heard oral arguments on November 3, 2004. As of the date of this prospectus supplement, a decision on the appeal before the Florida Supreme Court is pending. Even if the Florida Supreme Court were to rule in favor of the defendants, plaintiffs will not have exhausted all of the appellate options available to them as they could seek review of the case by the U.S. Supreme Court.

We cannot assure you that Lorillard will ultimately prevail on appeal. In the event that the circuit court's \$16.3 billion punitive damages judgment against Lorillard is ultimately upheld, the amount of that judgment would significantly exceed the assets of Lorillard. Even if the circuit court's \$16.3 billion punitive damages judgment were reduced, the reduced amount of the final judgment might ultimately exceed the assets of Lorillard and result in a liquidation or bankruptcy of Lorillard. The failure to prevail on appeal in the *Engle* case would have a significant adverse effect on the results of operations and financial condition of Lorillard and could result in the loss of all or substantially all of the value of any outstanding shares of Carolina Group stock. See Note 14 of the Notes to the Consolidated Condensed Financial Statements in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, which is incorporated by reference into this prospectus supplement, for a more detailed discussion of the *Engle* case.

In exchange for a \$200.0 million payment by Lorillard, the class in the *Engle* case agreed to a stay of execution of its punitive damages judgment until appellate review is completed. We refer to this agreement as the *Engle* Agreement. If Lorillard, Inc.'s balance sheet net worth (as determined in accordance with generally accepted accounting principles in effect as of July 14, 2000) falls below \$921.2 million, the stay pursuant to the agreement would terminate and, if the Florida Third District Court of Appeal was reversed and the judgment reinstated, the class would be free to challenge the separate stay granted in favor of Lorillard pursuant to Florida legislation enacted in May of 2000. As of September 30, 2005, Lorillard, Inc. had a balance sheet net worth of approximately \$1.3 billion. The Florida legislation limits to \$100.0 million the amount of an appellate bond required to be posted in order to stay execution of a judgment for punitive damages in a certified class action. If the agreed upon stay were terminated, a successful challenge of the statutory stay of execution could result in Lorillard's bankruptcy and in the loss of all or substantially all of the value of any outstanding shares of Carolina Group stock. Pursuant to the *Engle* Agreement, the stay remains in place until all appellate activity is concluded. It is possible that the plaintiffs' appeal will not be concluded until the U.S. Supreme Court either refuses to grant certiorari or grants certiorari and rules on the appeal in *Engle*, which means that the *Engle* Agreement could remain in place for several more years.

The *Engle* Agreement may affect Lorillard's payment of dividends to Loews and thereby inhibit Loews's ability or willingness to pay dividends on Carolina Group stock.

Under the *Engle* Agreement, described immediately above, if Lorillard, Inc. does not maintain a balance sheet net worth of at least \$921.2 million, the stay pursuant to the agreement would terminate. Because dividends from Lorillard, Inc. to Loews are deducted from the balance sheet net worth of Lorillard, Inc., the *Engle* Agreement may affect the payment of dividends by Lorillard, Inc. to Loews. For a description of the *Engle* Agreement, see the immediately preceding risk factor and Note 14 of the Notes to the Consolidated Condensed Financial Statements in

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our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, which is incorporated by reference into this prospectus supplement.

S-17

Table of Contents

Lorillard is a defendant in approximately 3,750 tobacco-related lawsuits, which are extremely costly to defend, and which could result in substantial judgments against Lorillard.

Numerous legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising, marketing and claimed health effects of cigarettes are pending against Lorillard, and it is likely that similar claims will continue to be filed for the foreseeable future. Settlements and victories by plaintiffs in highly publicized cases against Lorillard and other tobacco companies, together with acknowledgments by Lorillard and other tobacco companies regarding the health effects of smoking, may adversely affect the value of Carolina Group stock and stimulate further claims. In addition, adverse outcomes in pending cases could have adverse effects on the ability of Lorillard to prevail in smoking and health litigation.

Approximately 3,750 tobacco-related cases are pending against Lorillard in the United States. Punitive damages, often in amounts ranging into the billions of dollars, are specifically pleaded in a number of cases in addition to compensatory and other damages. An unfavorable resolution of any of these actions could have a material adverse effect on the results of operations and financial condition of Lorillard, which in turn could adversely affect the value of Carolina Group stock. It is possible that the outcome of these cases, individually or in the aggregate, could result in bankruptcy and in the loss of all or substantially all of the value of any outstanding shares of Carolina Group stock. It is also possible that Lorillard may be unable to post a surety bond in an amount sufficient to stay execution of a judgment in jurisdictions that require such bond pending an appeal on the merits of the case. Even if Lorillard is successful in defending some or all of these actions, these types of cases are very expensive to defend. A material increase in the number of pending claims could significantly increase defense costs and have a material adverse effect on Lorillard's results of operations and financial condition, which in turn could adversely affect the value of Carolina Group stock.

Further, adverse decisions in actions against tobacco companies other than Lorillard could have an adverse impact on the industry, including Lorillard, or the market price of Carolina Group stock. For example, in a March 2003 verdict in *Price v. Philip Morris USA* (Circuit Court, Madison County, Illinois, filed February 10, 2000), the court awarded the class approximately \$7.1 billion in actual damages. The court also awarded \$3.0 billion in punitive damages to the State of Illinois, which was not a party to the suit, and awarded plaintiffs' counsel approximately \$1.8 billion in fees and costs. In this case, plaintiffs contend, among other things, that use of the terms "lights" and/or "ultra lights" constitutes deceptive and unfair trade practices. *Price* was certified as a class comprised of Illinois residents who purchased certain of Philip Morris' "light" brands. An appeal of this suit is pending in the Illinois Supreme Court. Lorillard is not a defendant in *Price*. While approximately 35 purported "lights" class actions are pending against U.S. cigarette manufacturers, Lorillard is a defendant in one such case, *Schwab v. Philip Morris USA, Inc., et al.* (U.S. District Court, Eastern District, New York), a purported national class action in which plaintiffs' claims are based on defendants' alleged RICO violations. Class certification has not been decided in this case. For a discussion of tobacco litigation, see Part II, Item 1-Legal Proceedings and Note 14 of the Notes to the Consolidated Condensed Financial Statements in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, which is incorporated by reference into this prospectus supplement.

A judgment has been rendered against Lorillard in the Scott litigation; if this judgment is ultimately upheld and enforced, or if the amount of the surety bond posted by the defendants for the appeal is successfully challenged by the plaintiffs, Lorillard's financial condition and results of operations and the value of the Carolina Group stock could be materially adversely affected.

In June of 2004, the court entered a final judgment in favor of the plaintiffs in *Scott v. The American Tobacco Company, et al.* (District Court, Orleans Parish, Louisiana, filed May 24, 1996), a class action on behalf of certain cigarette smokers resident in the State of Louisiana who desired to participate in medical monitoring or smoking cessation programs and who began smoking prior to September 1, 1988, or who began smoking prior to May 24, 1996 and allege that defendants undermined compliance with