
Section 1: 8-K (8-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 24, 2018**

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation)

001-10898
(Commission File Number)

41-0518860
(I.R.S. Employer
Identification No.)

485 Lexington Avenue
New York, New York
(Address of principal executive offices)

10017
(Zip Code)

(917) 778-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On April 24, 2018, The Travelers Companies, Inc. (the “Company”) issued a press release announcing the results of the Company’s operations for the quarter ended March 31, 2018, and the availability of the Company’s first quarter financial supplement on the Company’s web site. The press release and the financial supplement are furnished as Exhibits 99.1 and 99.2 to this Report and are hereby incorporated by reference in this Item 2.02.

As provided in General Instruction B.2 of Form 8-K, the information and exhibits contained in this Form 8-K shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated April 24, 2018, reporting results of operations (This exhibit is furnished and not filed.)
99.2	First Quarter 2018 Financial Supplement of The Travelers Companies, Inc. (This exhibit is furnished and not filed.)

2

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Travelers Companies, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TRAVELERS COMPANIES, INC.

Date: April 24, 2018

By

/S/ KENNETH F. SPENCE III

Name: Kenneth F. Spence III

Title: Executive Vice President and General Counsel

3

[\(Back To Top\)](#)

Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



The Travelers Companies, Inc.
485 Lexington Avenue
New York, NY 10017-2630
www.travelers.com

NYSE: TRV

Travelers Reports First Quarter Net Income and Core Income per Diluted Share of \$2.42 and \$2.46, Respectively, Up 12% and 14%, Which Includes Catastrophe Losses of \$1.01 per Diluted Share

First Quarter Return on Equity and Core Return on Equity of 11.5% and 11.9%, Respectively

Board of Directors Declares 7% Increase in the Company’s Regular Quarterly Cash Dividend to \$0.77 per Share

- First quarter net income of \$669 million and core income of \$678 million, up 8% and 10%, respectively, from the prior year quarter, which includes \$354 million pre-tax (\$280 million after-tax) of catastrophe losses.
- Consolidated combined ratio of 95.5%; underlying combined ratio remained strong at 92.4%.
- Record net written premiums of \$6.824 billion, up 5% from the prior year quarter, reflecting growth in all segments.

- Renewal premium change in Business Insurance at highest levels in three years.
- Total capital returned to shareholders of \$598 million in the quarter, including \$401 million of share repurchases.
- Book value per share of \$85.03, down 3% from year-end 2017 due to the impact of higher interest rates on net unrealized investment gains. Adjusted book value per share of \$84.54, up 1% from year-end 2017.

New York, April 24, 2018 — The Travelers Companies, Inc. today reported net income of \$669 million, or \$2.42 per diluted share, for the quarter ended March 31, 2018, compared to \$617 million, or \$2.17 per diluted share, in the prior year quarter. Core income in the current quarter was \$678 million, or \$2.46 per diluted share, compared to \$614 million, or \$2.16 per diluted share, in the prior year quarter. Core income before income taxes increased due to higher net favorable prior year reserve development as well as a strong underlying underwriting gain. Core income also benefited from a decrease in income tax expense, primarily driven by the lower U.S. corporate income tax rate, partially offset by the inclusion in the prior year quarter of a \$39 million benefit from the resolution of prior year tax matters.

Consolidated Highlights

(\$ in millions, except for per share amounts, and after-tax, except for premiums & revenues)	<u>Three Months Ended March 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>Change</u>		
Net written premiums	\$ 6,824	\$ 6,495	5%		
Total revenues	\$ 7,286	\$ 6,942	5		
Net income	\$ 669	\$ 617	8		
<i>per diluted share</i>	\$ 2.42	\$ 2.17	12		
Core income	\$ 678	\$ 614	10		
<i>per diluted share</i>	\$ 2.46	\$ 2.16	14		
Diluted weighted average shares outstanding	273.9	282.4	(3)		
Combined ratio	95.5%	96.0%	(0.5)pts		
Underlying combined ratio	92.4%	91.7%	0.7pts		
Return on equity	11.5%	10.5%	1.0pts		
Core return on equity	11.9%	10.8%	1.1pts		
			<u>Change from</u>		
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
Book value per share	\$ 85.03	\$ 87.46	\$ 84.51	(3)%	1%
Adjusted book value per share	84.54	83.36	81.56	1	4

See Glossary of Financial Measures for definitions and the statistical supplement for additional financial data.

“We were pleased to report first quarter core income of \$678 million, up 10% over the prior year quarter, and core return on equity of 11.9%, particularly in light of yet another unusually high level of first quarter catastrophe losses,” commented Alan Schnitzer, Chairman

and Chief Executive Officer. “We delivered strong underlying underwriting results, including an underlying combined ratio of 92.4%, while achieving record first quarter net earned premiums and improvement in the expense ratio. Our investment portfolio continued to perform well, with income from our fixed income investment portfolio increasing for the first time in a decade due to higher average invested assets and an improved interest rate environment. In the quarter, we returned \$598 million of excess capital to shareholders, including \$401 million of share repurchases. I am pleased to announce that our Board of Directors declared a 7% increase in our quarterly cash dividend to \$0.77 per share, marking 14 consecutive years of dividend increases with a compound annual growth rate of about 10% over that period.

“Net written premiums grew 5% in the quarter reflecting growth in all segments, as we continued to successfully execute on our marketplace strategies. In Business Insurance, the pricing environment continued to improve. Domestic renewal premium change of 4.5% increased both year-over-year and from recent quarters as we achieved rate increases more broadly across our product portfolio, while retention improved from already high levels and new business levels remained solid. In Bond & Specialty Insurance, net written premiums increased 6%, with growth in both the management liability and surety businesses. In Personal Insurance, net written premiums grew 8%, benefiting from renewal premium change of 10% in agency auto and continued momentum in our leading homeowners business where we grew policies in force by 5%.

“Our first quarter performance is an encouraging start to the year, and we’re making important progress on our innovation agenda to ensure that our competitive advantages continue to set us apart. In short, our 30,000 employees, our most significant competitive advantage, are driving the *perform and transform* imperative that I discussed in my annual letter to shareholders. We remain well positioned to continue to deliver superior

Consolidated Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2018	2017	Change
Underwriting gain:	\$ 258	\$ 211	\$ 47
<i>Underwriting gain includes:</i>			
Net favorable prior year reserve development	150	81	69
Catastrophes, net of reinsurance	(354)	(347)	(7)
Net investment income	603	610	(7)
Other income/(expense), including interest expense	(72)	(66)	(6)
Core income before income taxes	789	755	34
Income tax expense	111	141	(30)
Core income	678	614	64
Net realized investment gains/(losses) after income taxes	(9)	3	(12)
Net income	\$ 669	\$ 617	\$ 52
Combined ratio	95.5%	96.0%	(0.5)pts
<i>Impact on combined ratio</i>			
Net favorable prior year reserve development	(2.3)pts	(1.3)pts	(1.0)pts
Catastrophes, net of reinsurance	5.4pts	5.6pts	(0.2)pts
Underlying combined ratio	92.4%	91.7%	0.7pts
Net written premiums			
Business Insurance	\$ 3,994	\$ 3,855	4%
Bond & Specialty Insurance	574	544	6
Personal Insurance	2,256	2,096	8
Total	\$ 6,824	\$ 6,495	5%

First Quarter 2018 Results

(All comparisons vs. first quarter 2017, unless noted otherwise)

Net income of \$669 million after-tax increased \$52 million due to higher core income, partially offset by net realized investment losses as compared to net realized investment gains in the prior year quarter. Core income of \$678 million after-tax increased \$64 million. Core income before income taxes benefited from higher net favorable prior year reserve development and a continued strong underlying underwriting gain. Core income also benefited from a decrease in income tax expense, primarily driven by the lower U.S. corporate income tax rate, partially offset by the inclusion in the prior year quarter of a \$39 million benefit from the resolution of prior year tax matters.

Underwriting results:

- The combined ratio of 95.5% decreased 0.5 points due to higher net favorable prior year reserve development (1.0 point), as well as a benefit (0.2 points) from catastrophes, partially offset by a higher underlying combined ratio (0.7 points).
- The underlying combined ratio of 92.4% remained strong and increased 0.7 points, driven by normal quarterly variability in both loss activity and expenses.
- Net favorable prior year reserve development occurred in all segments. Catastrophe losses in the first quarter of 2018 primarily resulted from winter storms in the eastern United States, a wind and hail storm in the southern United States and mudslides in California.

Net investment income of \$603 million pre-tax decreased slightly from the prior year quarter. Private equity returns remained strong but were lower than the prior year quarter, while income from our fixed income investment portfolio increased due to a higher average level of fixed maturity investments and higher short-term interest rates.

Net written premiums of \$6.824 billion increased 5%, reflecting growth in all segments. Retention remained high and renewal premium change improved from recent quarters across all segments, while new business levels remained solid.

Shareholders' Equity

Shareholders' equity of \$22.979 billion decreased 3% from year-end 2017 due to the impact of higher interest rates on net unrealized investment gains. Net unrealized investment gains included in shareholders' equity were \$175 million pre-tax (\$133 million after-tax), compared to \$1.414 billion pre-tax (\$1.112 billion after-tax) at year-end 2017. Book value per share of \$85.03 decreased 3% from year-end 2017 and adjusted book value per share of \$84.54 increased 1% from year-end 2017.

The Company repurchased 2.8 million shares during the first quarter at an average price of \$142.19 per share for a total cost of \$401 million. Capacity remaining under the existing share repurchase authorization was \$4.206 billion at the end of the quarter. At the end of first quarter 2018, statutory capital and surplus was \$20.533 billion and the ratio of debt-to-capital was 23.3%. The ratio of debt-to-capital excluding after-tax net unrealized investment gains included in shareholders' equity was 23.4%, within the Company's target range of 15% to 25%.

The Board of Directors declared a quarterly dividend of \$0.77 per share, an increase of 7%. This dividend is payable on June 29, 2018, to shareholders of record as of the close of business on June 8, 2018.

Business Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2018	2017	Change
Underwriting gain:	\$ 73	\$ 109	\$ (36)
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	66	61	5
<i>Catastrophes, net of reinsurance</i>	(138)	(132)	(6)
Net investment income	446	453	(7)
Other income	3	9	(6)
Segment income before income taxes	522	571	(49)
Income tax expense	70	129	(59)
Segment income	\$ 452	\$ 442	\$ 10
Combined ratio	97.5%	96.4%	1.1pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	(1.9)pts	(1.8)pts	(0.1)pts
<i>Catastrophes, net of reinsurance</i>	3.9pts	3.8pts	0.1pts
Underlying combined ratio	95.5%	94.4%	1.1pts
Net written premiums by market			
Domestic			
Select Accounts	\$ 773	\$ 755	2%
Middle Market	2,262	2,177	4
National Accounts	309	288	7
National Property and Other	380	386	(2)
Total Domestic	3,724	3,606	3
International	270	249	8
Total	\$ 3,994	\$ 3,855	4%

First Quarter 2018 Results

(All comparisons vs. first quarter 2017, unless noted otherwise)

Segment income for Business Insurance was \$452 million after-tax, an increase of \$10 million, reflecting lower segment income before income taxes that was more than offset by lower income tax expense. The decrease in segment income before income taxes was primarily driven by a lower underlying underwriting gain (i.e., excluding net favorable prior year reserve development and catastrophe losses). The decrease in income tax expense was primarily driven by the lower U.S. corporate income tax rate, partially offset by the inclusion in the prior year quarter of a \$15 million benefit from the resolution of prior year tax matters.

Underwriting results:

- The combined ratio of 97.5% increased 1.1 points due to a higher underlying combined ratio (1.1 points) and higher catastrophe losses (0.1 points), partially offset by higher net favorable prior year reserve development (0.1 points).

- The underlying combined ratio of 95.5% increased 1.1 points, primarily driven by (i) loss cost trends that modestly exceeded earned pricing, the impact of which has been moderating in recent quarters, and (ii) normal quarterly variability in both loss activity and expenses.
- Net favorable prior year reserve development primarily resulted from better than expected loss experience in the segment's domestic operations in the workers' compensation product line for recent accident years and the commercial property product line for accident year 2016, partially offset by higher than expected loss experience in the commercial automobile product line for recent accident years.

Net written premiums of \$3.994 billion increased 4% and benefited from higher renewal premium change and retention, while new business remained solid.

Bond & Specialty Insurance Segment Financial Results

<u>(\$ in millions and pre-tax, unless noted otherwise)</u>	<u>Three Months Ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Underwriting gain:	\$ 144	\$ 112	\$ 32
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	35	14	21
<i>Catastrophes, net of reinsurance</i>	—	(1)	1
Net investment income	58	61	(3)
Other income	6	5	1
Segment income before income taxes	208	178	30
Income tax expense	35	33	2
Segment income	\$ 173	\$ 145	\$ 28
Combined ratio	74.7%	79.4%	(4.7)pts
<i>Impact on combined ratio</i>			
Net favorable prior year reserve development	(6.0)pts	(2.6)pts	(3.4)pts
Catastrophes, net of reinsurance	—pts	0.1pts	(0.1)pts
Underlying combined ratio	80.7%	81.9%	(1.2)pts
Net written premiums			
<i>Domestic</i>			
Management Liability	\$ 348	\$ 330	5%
Surety	185	174	6
Total Domestic	533	504	6
<i>International</i>	41	40	3
Total	\$ 574	\$ 544	6%

First Quarter 2018 Results

(All comparisons vs. first quarter 2017, unless noted otherwise)

Segment income for Bond & Specialty Insurance was \$173 million after-tax, an increase of \$28 million, due to higher segment income before income taxes, partially offset by higher income tax expense. The increase in segment income before income taxes was primarily driven by higher net favorable prior year reserve development and a higher underlying underwriting gain. The increase in income tax expense was primarily driven by the inclusion in the prior year quarter of a \$17 million benefit from the resolution of prior year tax matters and the increase in segment income before income taxes, mostly offset by the lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 74.7% improved 4.7 points due to higher net favorable prior year reserve development (3.4 points), a lower underlying combined ratio (1.2 points) and lower catastrophe losses (0.1 points).
- The underlying combined ratio of 80.7% remained very strong and improved 1.2 points due to improvements in both the loss and expense ratios.

- Net favorable prior year reserve development resulted from better than expected loss experience in the segment's domestic operations in the general liability product line for multiple accident years.

Net written premiums of \$574 million increased 6%, reflecting an increase in domestic surety premiums, continued strong retention and an increase in new business in domestic management liability, while renewal premium change remained consistent with recent quarters.

Personal Insurance Segment Financial Results

<u>(\$ in millions and pre-tax, unless noted otherwise)</u>	<u>Three Months Ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Underwriting gain/(loss):	\$ 41	\$ (10)	\$ 51
<i>Underwriting gain/(loss) includes:</i>			
<i>Net favorable prior year reserve development</i>	49	6	43
<i>Catastrophes, net of reinsurance</i>	(216)	(214)	(2)
Net investment income	99	96	3
Other income	17	16	1
Segment income before income taxes	157	102	55
Income tax expense	28	13	15
Segment income	\$ 129	\$ 89	\$ 40
Combined ratio	97.5%	99.6%	(2.1)pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	(2.0)pts	(0.3)pts	(1.7)pts
<i>Catastrophes, net of reinsurance</i>	9.0pts	9.8pts	(0.8)pts
Underlying combined ratio	90.5%	90.1%	0.4pts
Net written premiums			
Domestic			
Agency (1)			
Automobile	\$ 1,183	\$ 1,087	9%
Homeowners & Other	832	794	5
Total Agency	2,015	1,881	7
Direct to Consumer	92	83	11
Total Domestic	2,107	1,964	7
International	149	132	13
Total	\$ 2,256	\$ 2,096	8%

(1) Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

First Quarter 2018 Results

(All comparisons vs. first quarter 2017, unless noted otherwise)

Segment income for Personal Insurance was \$129 million after-tax, an increase of \$40 million, due to higher segment income before income taxes, partially offset by higher income tax expense. The increase in segment income before income taxes was primarily driven by higher net favorable prior year reserve development and a higher underlying underwriting gain. The increase in income tax expense was primarily driven by the increase in segment income before income taxes and the inclusion in the prior year quarter of a \$7 million benefit from the resolution of prior year tax matters, partially offset by the lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 97.5% improved 2.1 points due to higher net favorable prior year reserve development (1.7 points) and a benefit (0.8 points) from catastrophe losses, partially offset by a higher underlying combined ratio (0.4 points).
- The underlying combined ratio of 90.5% increased 0.4 points. Agency Auto underlying combined ratio improved due to earned pricing that exceeded loss cost trends, while the underlying combined ratio in Agency Homeowners & Other increased, driven by normal quarterly variability in non-catastrophe weather-related losses.

- Net favorable prior year reserve development resulted from better than expected loss experience in the segment's domestic operations in the Homeowners & Other product line for accident years 2016 and 2017 and in the Automobile product line for accident year 2017.

Net written premiums of \$2.256 billion increased 8%. Agency Automobile net written premiums grew 9%, driven by renewal premium change of 10%. Agency Homeowners & Other net written premiums grew 5%, benefiting from policies in force growth of 5% year-over-year and positive renewal premium change.

Financial Supplement and Conference Call

The information in this press release should be read in conjunction with a financial supplement that is available on our website at www.travelers.com. Travelers management will discuss the contents of this release and other relevant topics via webcast at 9 a.m. Eastern (8 a.m. Central) on Tuesday, April 24, 2018. Investors can access the call via webcast at <http://investor.travelers.com> or by dialing 1.800.707.7427 within the United States and 1.303.223.4376 outside the United States. Prior to the webcast, a slide presentation pertaining to the quarterly earnings will be available on the Company's website.

Following the live event, an audio playback of the webcast and the slide presentation will be available on the same website. An audio playback can also be accessed by phone at 1.800.633.8284 within the United States and 1.402.977.9140 outside the United States (use reservation 21885787 for both the United States and international calls).

About Travelers

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$29 billion in 2017. For more information, visit www.travelers.com.

Travelers may use its website and/or social media outlets, such as Facebook and Twitter, as distribution channels of material Company information. Financial and other important information regarding the Company is routinely accessible through and posted on our website at <http://investor.travelers.com>, our Facebook page at <https://www.facebook.com/travelers> and our Twitter account (@Travelers) at <https://twitter.com/travelers>. In addition, you may automatically receive email alerts and other information about Travelers when you enroll your email address by visiting the Email Notifications section at <http://investor.travelers.com>.

Travelers is organized into the following reportable business segments:

Business Insurance — Business Insurance offers a broad array of property and casualty insurance and insurance related services to its customers, primarily in the United States, as well as in Canada, the United Kingdom, the Republic of Ireland, Brazil and throughout other parts of the world as a corporate member of Lloyd's.

Bond & Specialty Insurance — Bond & Specialty Insurance provides surety, fidelity, management liability, professional liability, and other property and casualty coverages and related risk management services to its customers in the United States and certain specialty insurance products in Canada, the United Kingdom, the Republic of Ireland and Brazil, utilizing various degrees of financially-based underwriting approaches.

Personal Insurance — Personal Insurance writes a broad range of property and casualty insurance covering individuals' personal risks, primarily in the United States, as well as in Canada. The primary products of automobile and homeowners insurance are complemented by a broad suite of related coverages.

* * * * *

Forward-Looking Statements

This press release contains, and management may make, certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "projects," "believes," "estimates" and similar expressions are used to identify these forward-looking statements. These statements include, among other things, the Company's statements about:

- the Company's outlook and its future results of operations and financial condition (including, among other things, anticipated premium volume, premium rates, margins, net and core income, investment income and performance, loss costs, return on equity, core return on equity and expected current returns and combined ratios);
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company's asbestos and other reserves;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;

- catastrophe losses;

- the impact of investment (including changes in interest rates), economic (including inflation, recent changes in tax law, rapid changes in commodity prices and fluctuations in foreign currency exchange rates) and underwriting market conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company's competitive advantages;
- new product offerings; and
- the impact of new or potential regulations imposed or to be imposed by the United States or other nations.

The Company cautions investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Company's control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some of the factors that could cause actual results to differ include, but are not limited to, the following:

- catastrophe losses could materially and adversely affect the Company's results of operations, its financial position and/or liquidity, and could adversely impact the Company's ratings, the Company's ability to raise capital and the availability and cost of reinsurance;
- if actual claims exceed the Company's claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal, regulatory and economic environments in which the Company operates, the Company's financial results could be materially and adversely affected;
- during or following a period of financial market disruption or an economic downturn, the Company's business could be materially and adversely affected;
- the Company's investment portfolio is subject to credit risk and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
- the Company's business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- the intense competition that the Company faces, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates, could harm its ability to maintain or increase its business volumes and its profitability;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape could adversely affect the Company;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances;
- the effects of emerging claim and coverage issues on the Company's business are uncertain;
- the Company may not be able to collect all amounts due to it from reinsurers, reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all and we are exposed to credit risk related to our structured settlements;
- the Company is also exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that we have with third parties;
- within the United States, the Company's businesses are heavily regulated by the states in which it conducts business, including licensing, market conduct and financial supervision, and changes in regulation may reduce the Company's profitability and limit its growth;
- a downgrade in the Company's claims-paying and financial strength ratings could adversely impact the Company's business volumes, adversely impact the Company's ability to access the capital markets and increase the Company's borrowing costs;
- the inability of the Company's insurance subsidiaries to pay dividends to the Company's holding company in sufficient amounts would harm the Company's ability to meet its obligations, pay future shareholder dividends and/or make future share repurchases;
- the Company's efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may create enhanced risks;
- the Company may be adversely affected if its pricing and capital models provide materially different indications than actual results;
- the Company's business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology, particularly as our business processes become more digital;
- if the Company experiences difficulties with technology, data and network security (including as a result of cyber attacks), outsourcing relationships, or cloud-based technology, the Company's ability to conduct its business could be negatively impacted;

- the Company is also subject to a number of additional risks associated with its business outside the United States, including foreign currency exchange fluctuations and restrictive regulations as well as the risks and uncertainties associated with the United Kingdom's withdrawal from the European Union;
- regulatory changes outside of the United States, including in Canada, the United Kingdom and the European Union, could adversely impact the Company's results of operations and limit its growth;
- loss of or significant restrictions on the use of particular types of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of the Company's products could reduce the Company's future profitability;
- acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences;
- the Company could be adversely affected if its controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective;
- the Company's businesses may be adversely affected if it is unable to hire and retain qualified employees;
- intellectual property is important to the Company's business, and the Company may be unable to protect and enforce its own intellectual property or the Company may be subject to claims for infringing the intellectual property of others;
- changes in federal regulation could impose significant burdens on the Company and otherwise adversely impact the Company's results;
- changes in U.S. tax laws or in the tax laws of other jurisdictions where the Company operates could adversely impact the Company; and
- the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels commensurate with the Company's desired ratings from independent rating agencies, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions and other factors.

Our forward-looking statements speak only as of the date of this press release or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 15, 2018, as updated by our periodic filings with the SEC.

GLOSSARY OF FINANCIAL MEASURES AND RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

The following measures are used by the Company's management to evaluate financial performance against historical results and establish targets on a consolidated basis. In some cases, these measures are considered non-GAAP financial measures under applicable SEC rules because they are not displayed as separate line items in the consolidated financial statements or are not required to be disclosed in the notes to financial statements or, in some cases, include or exclude certain items not ordinarily included or excluded in the most comparable GAAP financial measure. Reconciliations of these measures to the most comparable GAAP measures also follow.

In the opinion of the Company's management, a discussion of these measures provides investors, financial analysts, rating agencies and other financial statement users with a better understanding of the significant factors that comprise the Company's periodic results of operations and how management evaluates the Company's financial performance. Internally, the Company's management uses these measures to evaluate performance against historical results, to establish financial targets on a consolidated basis and for other reasons, which are discussed below.

Some of these measures exclude net realized investment gains (losses), net of tax, and/or net unrealized investment gains (losses), net of tax, included in shareholders' equity, which can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends.

Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by the Company's management.

RECONCILIATION OF NET INCOME TO CORE INCOME AND CERTAIN OTHER NON-GAAP MEASURES

Core income (loss) is consolidated net income (loss) excluding the after-tax impact of net realized investment gains (losses), discontinued operations, the effect of a change in tax laws and tax rates at enactment, and cumulative effect of changes in accounting principles when applicable. **Segment income (loss)** is determined in the same manner as core income (loss) on a segment basis. Management uses segment income (loss) to analyze each segment's performance and as a tool in making business decisions. Financial statement users also consider core income/(loss) when analyzing the results and trends of insurance companies. Core income (loss) per share is core income (loss) on a per common share basis.

Reconciliation of Net Income to Core Income less Preferred Dividends

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2018	2017
Net income	\$ 669	\$ 617
Adjustments:		
Net realized investment (gains)/losses	9	(3)
Core income	\$ 678	\$ 614

(\$ in millions)	Three Months Ended March 31,	
	2018	2017
Net income	\$ 669	\$ 617
Income tax expense	109	143
Income before income taxes	778	760
Adjustments:		
Net realized investment (gains)/losses, pre-tax	11	(5)
Core income before income taxes	\$ 789	\$ 755

(\$ in millions, after-tax)	Twelve Months Ended December 31,												
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net income	\$ 2,056	\$ 3,014	\$ 3,439	\$ 3,692	\$ 3,673	\$ 2,473	\$ 1,426	\$ 3,216	\$ 3,622	\$ 2,924	\$ 4,601	\$ 4,208	\$ 1,622
Less: Loss from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	(439)
Income from continuing operations	2,056	3,014	3,439	3,692	3,673	2,473	1,426	3,216	3,622	2,924	4,601	4,208	2,061
Adjustments:													
Net realized investment (gains)/losses	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment (1)	129	—	—	—	—	—	—	—	—	—	—	—	—
Core income	2,043	2,967	3,437	3,641	3,567	2,441	1,390	3,043	3,600	3,195	4,500	4,200	2,026
Less: Preferred dividends	—	—	—	—	—	—	1	3	3	4	4	5	6
Core income, less preferred dividends	\$ 2,043	\$ 2,967	\$ 3,437	\$ 3,641	\$ 3,567	\$ 2,441	\$ 1,389	\$ 3,040	\$ 3,597	\$ 3,191	\$ 4,496	\$ 4,195	\$ 2,020

(1) Tax Cuts and Jobs Act of 2017 (TCJA)

Reconciliation of Net Income per Share to Core Income per Share on a Basic and Diluted Basis

	Three Months Ended March 31,	
	2018	2017
Basic income per share		
Net income	\$ 2.45	\$ 2.19
Adjustments:		
Net realized investment (gains)/losses, after-tax	0.03	(0.01)
Core income	\$ 2.48	\$ 2.18
Diluted income per share		
Net income	\$ 2.42	\$ 2.17
Adjustments:		
Net realized investment (gains)/losses, after-tax	0.04	(0.01)
Core income	\$ 2.46	\$ 2.16

Reconciliation of Segment Income to Total Core Income

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2018	2017
Business Insurance	\$ 452	\$ 442
Bond & Specialty Insurance	173	145
Personal Insurance	129	89
Total segment income	754	676

Interest Expense and Other	(76)	(62)
Total core income	\$ 678	\$ 614

RECONCILIATION OF SHAREHOLDERS' EQUITY TO ADJUSTED SHAREHOLDERS' EQUITY AND CALCULATION OF RETURN ON EQUITY AND CORE RETURN ON EQUITY

Adjusted shareholders' equity is shareholders' equity excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity, net realized investment gains (losses), net of tax, for the period presented, the effect of a change in tax laws and tax rates at enactment (excluding the portion related to net unrealized investment gains (losses)), preferred stock and discontinued operations.

Reconciliation of Shareholders' Equity to Adjusted Shareholders' Equity

(\$ in millions)	As of March 31,	
	2018	2017
Shareholders' equity	\$ 22,979	\$ 23,612
Adjustments:		
Net unrealized investment (gains)/losses, net of tax, included in shareholders' equity	(133)	(823)
Net realized investment (gains)/losses, net of tax	9	(3)
Adjusted shareholders' equity	\$ 22,855	\$ 22,786

(\$ in millions)	As of December 31,												
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Shareholders' equity	\$ 23,731	\$ 23,221	\$ 23,598	\$ 24,836	\$ 24,796	\$ 25,405	\$ 24,477	\$ 25,475	\$ 27,415	\$ 25,319	\$ 26,616	\$ 25,135	\$ 22,303
Adjustments:													
Net unrealized investment (gains)/losses, net of tax, included in shareholders' equity	(1,112)	(730)	(1,289)	(1,966)	(1,322)	(3,103)	(2,871)	(1,859)	(1,856)	146	(620)	(453)	(327)
Net realized investment (gains)/losses, net of tax	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA(1) at enactment	287	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock	—	—	—	—	—	—	—	(68)	(79)	(89)	(112)	(129)	(153)
Loss from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	439
Adjusted shareholders' equity	\$ 22,764	\$ 22,444	\$ 22,307	\$ 22,819	\$ 23,368	\$ 22,270	\$ 21,570	\$ 23,375	\$ 25,458	\$ 25,647	\$ 25,783	\$ 24,545	\$ 22,227

(1) Tax Cuts and Jobs Act (TCJA)

Return on equity is the ratio of annualized net income less preferred dividends to average shareholders' equity for the periods presented. **Core return on equity** is the ratio of annualized core income less preferred dividends to adjusted average shareholders' equity for the periods presented. In the opinion of the Company's management, these are important indicators of how well management creates value for its shareholders through its operating activities and its capital management.

Average shareholders' equity is (a) the sum of total shareholders' equity excluding preferred stock at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two.

Adjusted average shareholders' equity is (a) the sum of adjusted shareholders' equity at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two.

Calculation of Return on Equity and Core Return on Equity

(\$ in millions, after-tax)	Three Months Ended	
	2018	2017
Annualized net income	\$ 2,676	\$ 2,470
Average shareholders' equity	23,355	23,416
Return on equity	11.5%	10.5%
Annualized core income	\$ 2,711	\$ 2,455
Adjusted average shareholders' equity	22,737	22,638
Core return on equity	11.9%	10.8%

Average annual core return on equity over a period is the ratio of:

a) the sum of core income less preferred dividends for the periods presented to

b) the sum of: 1) the sum of the adjusted average shareholders' equity for all full years in the period presented, and 2) for partial years in the period presented, the number of quarters in that partial year divided by four, multiplied by the adjusted average shareholders' equity of the partial year.

Calculation of Average Annual Core Return on Equity from January 1, 2005 through March 31, 2018

(\$ in millions)	Three Months Ended March 31,		Twelve Months Ended December 31,													
	2018	2017	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
Core income, less preferred dividends	\$ 678	\$ 614	\$ 2,043	\$ 2,967	\$ 3,437	\$ 3,641	\$ 3,567	\$ 2,441	\$ 1,389	\$ 3,040	\$ 3,597	\$ 3,191	\$ 4,496	\$ 4,195	\$ 2,020	
Annualized core income	2,711	2,455														
Adjusted average shareholders' equity	22,737	22,638	22,743	22,386	22,681	23,447	23,004	22,158	22,806	24,285	25,777	25,668	25,350	23,381	21,118	
Core return on equity	11.9%	10.8%	9.0%	13.3%	15.2%	15.5%	15.5%	11.0%	6.1%	12.5%	14.0%	12.4%	17.7%	17.9%	9.6%	
Average annual core return on equity for the period Jan. 1, 2005 through Mar. 31, 2018	13.1%															

RECONCILIATION OF PRE-TAX UNDERWRITING GAIN EXCLUDING CERTAIN ITEMS TO NET INCOME

Underwriting gain/(loss) is net earned premiums and fee income less claims and claim adjustment expenses and insurance-related expenses. In the opinion of the Company's management, it is important to measure the profitability of each segment excluding the results of investing activities, which are managed separately from the insurance business. This measure is used to assess each segment's business performance and as a tool in making business decisions. **Pre-tax underwriting gain, excluding the impact of catastrophes and net favorable prior year loss reserve development**, is the underwriting gain adjusted to exclude claims and claim adjustment expenses, reinstatement premiums and assessments related to catastrophes and loss reserve development related to time periods prior to the current year. In the opinion of the Company's management, this measure is meaningful to users of the financial statements to understand the Company's periodic earnings and the variability of earnings caused by the unpredictable nature (i.e., the timing and amount) of catastrophes and loss reserve development. This measure is also referred to as **underlying underwriting margin** or **underlying underwriting gain**.

A **catastrophe** is a severe loss designated a catastrophe by internationally recognized organizations that track and report on insured losses resulting from catastrophic events, such as Property Claim Services (PCS) for events in the United States and Canada. Catastrophes can be caused by various natural events, including, among others, hurricanes, tornadoes and other windstorms, earthquakes, hail, wildfires, severe winter weather, floods, tsunamis, volcanic eruptions and other naturally occurring events, such as solar flares. Catastrophes can also be man-made, such as terrorist attacks and other intentionally destructive acts including those involving nuclear, biological, chemical or radiological events, cyber attacks, explosions and infrastructure failures. Each catastrophe has unique characteristics and catastrophes are not predictable as to timing or amount. Their effects are included in net and core income and claims and claim adjustment expense reserves upon occurrence. A catastrophe may result in the payment of reinsurance reinstatement premiums and assessments from various pools.

The Company's threshold for disclosing catastrophes is primarily determined at the reportable segment level. If a threshold for one segment or a combination thereof is exceeded and the other segments have losses from the same event, losses from the event are identified as catastrophe losses in the segment results and for the consolidated results of the Company. Additionally, an aggregate threshold is applied for international business across all reportable segments. The threshold for 2018 ranges from approximately \$18 million to \$30 million of losses before reinsurance and taxes.

Net favorable (unfavorable) prior year loss reserve development is the increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims, which may be related to one or more prior years. In the opinion of the Company's management, a discussion of loss reserve development is meaningful to users of the financial statements as it allows them to assess the impact between prior and current year development on incurred claims and claim adjustment expenses, net and core income (loss), and changes in claims and claim adjustment expense reserve levels from period to period.

Components of Net Income

(\$ in millions, after-tax except as noted)	Three Months Ended March 31,	
	2018	2017
Pre-tax underwriting gain excluding the impact of catastrophes and net favorable prior year loss reserve development	\$ 462	\$ 477
Pre-tax impact of catastrophes	(354)	(347)
Pre-tax impact of net favorable prior year loss reserve development	150	81
Pre-tax underwriting gain	258	211
Income tax expense on underwriting results	36	36
Underwriting gain	222	175
Net investment income	513	480
Other income/(expense), including interest expense	(57)	(41)
Core income	678	614
Net realized investment gains/(losses)	(9)	3

COMBINED RATIO AND ADJUSTMENTS FOR UNDERLYING COMBINED RATIO

Combined ratio: For Statutory Accounting Practices (SAP), the combined ratio is the sum of the SAP loss and LAE ratio and the SAP underwriting expense ratio as defined in the statutory financial statements required by insurance regulators. The combined ratio as used in this earnings release is the equivalent of, and is calculated in the same manner as, the SAP combined ratio except that the SAP underwriting expense ratio is based on net *written* premiums and the underwriting expense ratio as used in this earnings release is based on net *earned* premiums.

For SAP, the loss and LAE ratio is the ratio of incurred losses and loss adjustment expenses less certain administrative services fee income to net earned premiums as defined in the statutory financial statements required by insurance regulators. The loss and LAE ratio as used in this earnings release is calculated in the same manner as the SAP ratio.

For SAP, the underwriting expense ratio is the ratio of underwriting expenses incurred (including commissions paid), less certain administrative services fee income and billing and policy fees, to net *written* premiums as defined in the statutory financial statements required by insurance regulators. The underwriting expense ratio as used in this earnings release, is the ratio of underwriting expenses (including the amortization of deferred acquisition costs), less certain administrative services fee income, billing and policy fees and other, to net *earned* premiums.

The combined ratio, loss and LAE ratio, and underwriting expense ratio are used as indicators of the Company's underwriting discipline, efficiency in acquiring and servicing its business and overall underwriting profitability. A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

Underlying combined ratio represents the combined ratio excluding the impact of net prior year reserve development and catastrophes. The underlying combined ratio is an indicator of the Company's underwriting discipline and underwriting profitability for the current accident year.

Other companies' method of computing similarly titled measures may not be comparable to the Company's method of computing these ratios.

Calculation of the Combined Ratio

(\$ in millions, pre-tax)	Three Months Ended	
	March 31,	
	2018	2017
Loss and loss adjustment expense ratio		
Claims and claim adjustment expenses	\$ 4,296	\$ 4,094
Less:		
Policyholder dividends	13	11
Allocated fee income	37	42
Loss ratio numerator	\$ 4,246	\$ 4,041
Underwriting expense ratio		
Amortization of deferred acquisition costs	\$ 1,061	\$ 1,003
General and administrative expenses (G&A)	1,062	996
Less:		
Non-insurance G&A	37	8
Allocated fee income	66	71
Billing and policy fees and other	23	23
Expense ratio numerator	\$ 1,997	\$ 1,897
Earned premium	\$ 6,537	\$ 6,183
Combined ratio (1)		
Loss and loss adjustment expense ratio	64.9%	65.3%
Underwriting expense ratio	30.6%	30.7%
Combined ratio	95.5%	96.0%

(1) For purposes of computing ratios, billing and policy fees and other (which are a component of other revenues) are allocated as a reduction of underwriting expenses. In addition, fee income is allocated as a reduction of losses and loss adjustment expenses and underwriting expenses. In addition, G&A include non-insurance expenses that are excluded from underwriting expenses, and accordingly are excluded in calculating the combined ratio.

RECONCILIATION OF BOOK VALUE PER SHARE AND SHAREHOLDERS' EQUITY TO CERTAIN NON-GAAP MEASURES

Book value per share is total common shareholders' equity divided by the number of common shares outstanding. **Adjusted book value per share** is total common shareholders' equity excluding net unrealized investment gains and losses, net of tax, included in shareholders' equity, divided by

the number of common shares outstanding. In the opinion of the Company's management, adjusted book value per share is useful in an analysis of a property casualty company's book value per share as it removes the effect of changing prices on invested assets (i.e., net unrealized investment gains (losses), net of tax), which do not have an equivalent impact on unpaid claims and claim adjustment expense reserves. **Tangible book value per share** is adjusted book value per share excluding the after-tax value of goodwill and other intangible assets divided by the number of common shares outstanding. In the opinion of the Company's management, tangible book value per share is useful in an analysis of a property casualty company's book value on a nominal basis as it removes certain effects of purchase accounting (i.e., goodwill and other intangible assets), in addition to the effect of changing prices on invested assets.

Reconciliation of Shareholders' Equity to Tangible Shareholders' Equity, Excluding Net Unrealized Investment Gains, Net of Tax

(\$ in millions, except per share amounts)	As of	
	March 31, 2018	December 31, 2017
Shareholders' equity	\$ 22,979	\$ 23,731
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	133	1,112
Shareholders' equity, excluding net unrealized investment gains, net of tax, included in shareholders' equity	22,846	22,619
Less:		
Goodwill	3,959	3,951
Other intangible assets	341	342
Impact of deferred tax on other intangible assets	(50)	(44)
Tangible shareholders' equity	\$ 18,596	\$ 18,370
Common shares outstanding	270.2	271.4
Book value per share	\$ 85.03	\$ 87.46
Adjusted book value per share	84.54	83.36
Tangible book value per share	68.81	67.70

RECONCILIATION OF TOTAL CAPITALIZATION TO TOTAL CAPITALIZATION EXCLUDING NET UNREALIZED INVESTMENT GAINS, NET OF TAX

Total capitalization is the sum of total shareholders' equity and debt. **Debt-to-capital ratio excluding net unrealized gain on investments, net of tax, included in shareholders' equity**, is the ratio of debt to total capitalization excluding the after-tax impact of net unrealized investment gains and losses included in shareholders' equity. In the opinion of the Company's management, the debt-to-capital ratio is useful in an analysis of the Company's financial leverage.

(\$ in millions)	As of	
	March 31, 2018	December 31, 2017
Debt	\$ 6,963	\$ 6,571
Shareholders' equity	22,979	23,731
Total capitalization	29,942	30,302
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	133	1,112
Total capitalization excluding net unrealized gain on investments, net of tax, included in shareholders' equity	\$ 29,809	\$ 29,190
Debt-to-capital ratio	23.3%	21.7%
Debt-to-capital ratio excluding net unrealized investment gains, net of tax, included in shareholders' equity	23.4%	22.5%

OTHER DEFINITIONS

Gross written premiums reflect the direct and assumed contractually determined amounts charged to policyholders for the effective period of the contract based on the terms and conditions of the insurance contract. **Net written premiums** reflect gross written premiums less premiums ceded to reinsurers.

For Business Insurance and Bond & Specialty Insurance, **retention** is the amount of premium available for renewal that was retained, excluding rate and exposure changes. For Personal Insurance, **retention** is the ratio of the expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies. For all of the segments, **renewal rate change** represents the estimated change in average premium on policies that renew, excluding exposure changes. **Exposure** is the measure of risk used in the pricing of an insurance product. The change in exposure is the amount of change in premium on policies that renew attributable to the change in portfolio risk.

Renewal premium change represents the estimated change in average premium on policies that renew, including rate and exposure changes. **New business** is the amount of written premium related to new policyholders and additional products sold to existing policyholders. These are operating statistics, which are in part dependent on the use of estimates and are therefore subject to change. For Business Insurance, retention, renewal premium change and new business exclude National Accounts and surety. For Bond & Specialty Insurance, retention, renewal premium change and new business exclude surety.

Statutory capital and surplus represents the excess of an insurance company's admitted assets over its liabilities, including loss reserves, as determined in accordance with statutory accounting practices.

Holding company liquidity is the total funds available at the holding company level to fund general corporate purposes, primarily the payment of shareholder dividends and debt service. These funds consist of total cash, short-term invested assets and other readily marketable securities held by the holding company.

For a glossary of other financial terms used in this press release, we refer you to the Company's most recent annual report on Form 10-K filed with the SEC on February 15, 2018 and subsequent periodic filings with the SEC.

###

Contacts

<u>Media:</u>	<u>Institutional Investors:</u>
Patrick Linehan	Gabriella Nawi
917.778.6267	917.778.6844
	Seth Rosenberg
	917.778.6877

14

[\(Back To Top\)](#)

Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

The Travelers Companies, Inc.
Financial Supplement - First Quarter 2018



Page Number

Consolidated Results

Financial Highlights	1
Reconciliation to Net Income and Earnings Per Share	2
Statement of Income	3
Net Income by Major Component and Combined Ratio	4
Core Income	5
Selected Statistics - Property and Casualty Operations	6
Written and Earned Premiums - Property and Casualty Operations	7

Business Insurance

Segment Income	8
Segment Income by Major Component and Combined Ratio	9
Selected Statistics	10
Net Written Premiums	11

Bond & Specialty Insurance

Segment Income	12
Segment Income by Major Component and Combined Ratio	13
Selected Statistics	14
Net Written Premiums	15

Personal Insurance

Segment Income (Loss)	16
Segment Income (Loss) by Major Component and Combined Ratio	17
Selected Statistics	18
Net Written Premiums	19
Selected Statistics - Domestic Agency Automobile	20
Selected Statistics - Domestic Agency Homeowners and Other	21

Supplemental Detail

Interest Expense and Other	22
Consolidated Balance Sheet	23
Investment Portfolio	24
Investment Portfolio - Fixed Maturities Data	25
Investment Income	26
Net Realized and Unrealized Investment Gains (Losses) included in Shareholders' Equity	27
Reinsurance Recoverables	28
Net Reserves for Losses and Loss Adjustment Expense	29
Asbestos and Environmental Reserves	30
Capitalization	31
Statutory Capital and Surplus to GAAP Shareholders' Equity Reconciliation	32
Statement of Cash Flows	33
Statement of Cash Flows (continued)	34

Glossary of Financial Measures and Description of Reportable Business Segments 35

The information included in the Financial Supplement is unaudited. This document should be read in conjunction with the Company's Form 10-Q which will be filed with the Securities and Exchange Commission.

Index

The Travelers Companies, Inc.**Financial Highlights**

(\$ and shares in millions, except per share data)



	<u>1Q</u> <u>2017</u>	<u>2Q</u> <u>2017</u>	<u>3Q</u> <u>2017</u>	<u>4Q</u> <u>2017</u>	<u>1Q</u> <u>2018</u>
Net income	\$ 617	\$ 595	\$ 293	\$ 551	\$ 669
Net income per share:					
Basic	\$ 2.19	\$ 2.13	\$ 1.06	\$ 2.00	\$ 2.45
Diluted	\$ 2.17	\$ 2.11	\$ 1.05	\$ 1.98	\$ 2.42
Core income	\$ 614	\$ 543	\$ 253	\$ 633	\$ 678
Core income per share:					
Basic	\$ 2.18	\$ 1.94	\$ 0.92	\$ 2.30	\$ 2.48
Diluted	\$ 2.16	\$ 1.92	\$ 0.91	\$ 2.28	\$ 2.46
Return on equity	10.5%	10.0%	4.9%	9.3%	11.5%
Core return on equity	10.8%	9.5%	4.5%	11.1%	11.9%
Total assets, at period end	\$ 101,246	\$ 102,669	\$ 104,311	\$ 103,483	\$ 103,676
Total equity, at period end	\$ 23,612	\$ 23,858	\$ 23,738	\$ 23,731	\$ 22,979
Book value per share, at period end	\$ 84.51	\$ 86.46	\$ 86.73	\$ 87.46	\$ 85.03
Less: Net unrealized investment gains, net of tax	2.95	3.75	3.67	4.10	0.49
Adjusted book value per share, at period end	<u>\$ 81.56</u>	<u>\$ 82.71</u>	<u>\$ 83.06</u>	<u>\$ 83.36</u>	<u>\$ 84.54</u>
Weighted average number of common shares outstanding (basic)	279.7	277.5	274.1	272.8	271.0
Weighted average number of common shares outstanding and common stock equivalents (diluted)	282.4	280.0	276.6	275.7	273.9
Common shares outstanding at period end	279.4	275.9	273.7	271.4	270.2
Common stock dividends declared	\$ 190	\$ 201	\$ 200	\$ 198	\$ 197
Common stock repurchased:					
Under Board of Directors authorization					
Shares	1.9	3.8	2.6	2.6	2.5
Cost	\$ 225	\$ 475	\$ 328	\$ 350	\$ 350
Other					
Shares	0.5	—	—	—	0.3
Cost	\$ 61	\$ —	\$ —	\$ 1	\$ 51

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Reconciliation to Net Income and Earnings Per Share
(\$ and shares in millions, except earnings per share)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net income					
Net income	\$ 617	\$ 595	\$ 293	\$ 551	\$ 669
Adjustments:					
Net realized investment (gains) losses, after-tax	(3)	(52)	(40)	(47)	9
Impact of TCJA at enactment (1)	—	—	—	129	—
Core income	<u>\$ 614</u>	<u>\$ 543</u>	<u>\$ 253</u>	<u>\$ 633</u>	<u>\$ 678</u>
Basic earnings per share					
Net income	\$ 2.19	\$ 2.13	\$ 1.06	\$ 2.00	\$ 2.45
Adjustments:					
Net realized investment (gains) losses, after-tax	(0.01)	(0.19)	(0.14)	(0.17)	0.03
Impact of TCJA at enactment (1)	—	—	—	0.47	—
Core income	<u>\$ 2.18</u>	<u>\$ 1.94</u>	<u>\$ 0.92</u>	<u>\$ 2.30</u>	<u>\$ 2.48</u>
Diluted earnings per share					
Net income	\$ 2.17	\$ 2.11	\$ 1.05	\$ 1.98	\$ 2.42
Adjustments:					
Net realized investment (gains) losses, after-tax	(0.01)	(0.19)	(0.14)	(0.17)	0.04
Impact of TCJA at enactment (1)	—	—	—	0.47	—
Core income	<u>\$ 2.16</u>	<u>\$ 1.92</u>	<u>\$ 0.91</u>	<u>\$ 2.28</u>	<u>\$ 2.46</u>

Adjustments to net income and weighted average shares for net income EPS calculations: (2)

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Basic and Diluted					
Net income, as reported	\$ 617	\$ 595	\$ 293	\$ 551	\$ 669
Participating share-based awards - allocated income	(4)	(5)	(2)	(4)	(5)
Net income available to common shareholders - basic and diluted	<u>\$ 613</u>	<u>\$ 590</u>	<u>\$ 291</u>	<u>\$ 547</u>	<u>\$ 664</u>
Common Shares					
Basic					
Weighted average shares outstanding	<u>279.7</u>	<u>277.5</u>	<u>274.1</u>	<u>272.8</u>	<u>271.0</u>
Diluted					
Weighted average shares outstanding	279.7	277.5	274.1	272.8	271.0
Weighted average effects of dilutive securities - stock options and performance shares	2.7	2.5	2.5	2.9	2.9
Diluted weighted average shares outstanding	<u>282.4</u>	<u>280.0</u>	<u>276.6</u>	<u>275.7</u>	<u>273.9</u>

(1) Reflects the impact of changes in tax laws and tax rates enacted in the U.S. on December 22, 2017 as part of the Tax Cuts and Jobs Act of 2017 (TCJA), resulting primarily from revaluing the Company's deferred tax assets and liabilities and the tax associated with accumulated foreign earnings.

(2) Adjustments to net income and weighted average shares for net income EPS calculations can generally be used for the core income EPS calculations.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Premiums	\$ 6,183	\$ 6,351	\$ 6,523	\$ 6,626	\$ 6,537
Net investment income	610	598	588	601	603
Fee income	113	116	113	105	103
Net realized investment gains (losses)	5	80	61	70	(11)
Other revenues	31	39	40	49	54
Total revenues	<u>6,942</u>	<u>7,184</u>	<u>7,325</u>	<u>7,451</u>	<u>7,286</u>
Claims and expenses					
Claims and claim adjustment expenses	4,094	4,225	4,806	4,342	4,296
Amortization of deferred acquisition costs	1,003	1,032	1,059	1,072	1,061
General and administrative expenses	996	1,045	1,045	1,084	1,062
Interest expense	89	92	95	93	89
Total claims and expenses	<u>6,182</u>	<u>6,394</u>	<u>7,005</u>	<u>6,591</u>	<u>6,508</u>
Income before income taxes	760	790	320	860	778
Income tax expense	143	195	27	309	109
Net income	<u>\$ 617</u>	<u>\$ 595</u>	<u>\$ 293</u>	<u>\$ 551</u>	<u>\$ 669</u>
Other-than-temporary impairments (OTTI)					
Total OTTI gains (losses)	\$ (1)	\$ (5)	\$ (5)	\$ (2)	\$ —
OTTI losses recognized in net realized investment gains (losses)	\$ (2)	\$ (5)	\$ (5)	\$ (2)	\$ —
OTTI gains recognized in other comprehensive income	\$ 1	\$ —	\$ —	\$ —	\$ —
Other statistics					
Effective tax rate on net investment income	21.3%	21.9%	22.1%	22.4%	14.9%
Net investment income (after-tax)	\$ 480	\$ 468	\$ 457	\$ 467	\$ 513
Catastrophes, net of reinsurance:					
Pre-tax	\$ 347	\$ 403	\$ 700	\$ 499	\$ 354
After-tax	\$ 226	\$ 262	\$ 455	\$ 324	\$ 280
Prior year reserve development - favorable					
Pre-tax	\$ 81	\$ 203	\$ 15	\$ 293	\$ 150
After-tax	\$ 44	\$ 132	\$ 10	\$ 192	\$ 119

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Net Income by Major Component and Combined Ratio - Consolidated
(\$ in millions, net of tax)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Underwriting gain (loss)	\$ 175	\$ 112	\$ (153)	\$ 216	\$ 222
Net investment income	480	468	457	467	513
Other income (expense), including interest expense	(41)	(37)	(51)	(50)	(57)
Core income	614	543	253	633	678
Net realized investment gains (losses)	3	52	40	47	(9)
Impact of TCJA at enactment (1)	—	—	—	(129)	—
Net income	<u>\$ 617</u>	<u>\$ 595</u>	<u>\$ 293</u>	<u>\$ 551</u>	<u>\$ 669</u>
Combined ratio (2) (3)					
Loss and loss adjustment expense ratio	65.3%	65.6%	72.8%	64.8%	64.9%
Underwriting expense ratio	30.7%	31.1%	30.4%	30.7%	30.6%
Combined ratio	<u>96.0%</u>	<u>96.7%</u>	<u>103.2%</u>	<u>95.5%</u>	<u>95.5%</u>
Impact on combined ratio:					
Net favorable prior year reserve development	-1.3%	-3.2%	-0.3%	-4.4%	-2.3%
Catastrophes, net of reinsurance	5.6%	6.4%	10.7%	7.5%	5.4%

Underlying combined ratio	91.7%	93.5%	92.8%	92.4%	92.4%
---------------------------	-------	-------	-------	-------	-------

(1) Reflects the impact of changes in tax laws and tax rates enacted in the U.S. on December 22, 2017 as part of the TCJA, resulting primarily from revaluing the Company's deferred tax assets and liabilities and the tax associated with accumulated foreign earnings.

(2) Before policyholder dividends.

(3) Billing and policy fees and other, which are a component of other revenues, are allocated as a reduction of underwriting expenses. In addition, fee income is allocated as a reduction of losses and loss adjustment expenses and underwriting expenses. In addition, general and administrative expenses include non-insurance expenses that are excluded from underwriting expenses, and accordingly are excluded in calculating the combined ratio. See following:

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Billing and policy fees and other	\$ 23	\$ 22	\$ 22	\$ 21	\$ 23
Fee income:					
Loss and loss adjustment expenses	\$ 42	\$ 42	\$ 42	\$ 36	\$ 37
Underwriting expenses	71	74	71	69	66
Total fee income	\$ 113	\$ 116	\$ 113	\$ 105	\$ 103
Non-insurance general and administrative expenses	\$ 8	\$ 8	\$ 28	\$ 33	\$ 37

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

4

The Travelers Companies, Inc.

Core Income - Consolidated

(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Premiums	\$ 6,183	\$ 6,351	\$ 6,523	\$ 6,626	\$ 6,537
Net investment income	610	598	588	601	603
Fee income	113	116	113	105	103
Other revenues	31	39	40	49	54
Total revenues	6,937	7,104	7,264	7,381	7,297
Claims and expenses					
Claims and claim adjustment expenses	4,094	4,225	4,806	4,342	4,296
Amortization of deferred acquisition costs	1,003	1,032	1,059	1,072	1,061
General and administrative expenses	996	1,045	1,045	1,084	1,062
Interest expense	89	92	95	93	89
Total claims and expenses	6,182	6,394	7,005	6,591	6,508
Core income before income taxes	755	710	259	790	789
Income tax expense	141	167	6	157	111
Core income	\$ 614	\$ 543	\$ 253	\$ 633	\$ 678
Other statistics					
Effective tax rate on net investment income	21.3%	21.9%	22.1%	22.4%	14.9%
Net investment income (after-tax)	\$ 480	\$ 468	\$ 457	\$ 467	\$ 513
Catastrophes, net of reinsurance:					
Pre-tax	\$ 347	\$ 403	\$ 700	\$ 499	\$ 354
After-tax	\$ 226	\$ 262	\$ 455	\$ 324	\$ 280
Prior year reserve development - favorable					
Pre-tax	\$ 81	\$ 203	\$ 15	\$ 293	\$ 150
After-tax	\$ 44	\$ 132	\$ 10	\$ 192	\$ 119

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

5

The Travelers Companies, Inc.
Selected Statistics - Property and Casualty Operations
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Statutory underwriting					
Gross written premiums	\$ 7,018	\$ 6,927	\$ 7,063	\$ 6,640	\$ 7,418
Net written premiums	\$ 6,495	\$ 6,640	\$ 6,660	\$ 6,424	\$ 6,824
Net earned premiums					
Net earned premiums	\$ 6,183	\$ 6,351	\$ 6,523	\$ 6,626	\$ 6,537
Losses and loss adjustment expenses	4,043	4,169	4,751	4,291	4,245
Underwriting expenses	1,975	2,049	2,018	1,992	2,072
Statutory underwriting gain (loss)	165	133	(246)	343	220
Policyholder dividends	11	15	12	13	13
Statutory underwriting gain (loss) after policyholder dividends	\$ 154	\$ 118	\$ (258)	\$ 330	\$ 207
Other statutory statistics					
Reserves for losses and loss adjustment expenses	\$ 40,313	\$ 40,630	\$ 41,545	\$ 41,454	\$ 41,669
Increase (decrease) in reserves	\$ 409	\$ 317	\$ 915	\$ (91)	\$ 215
Statutory capital and surplus	\$ 20,617	\$ 20,607	\$ 20,740	\$ 20,448	\$ 20,533
Net written premiums/surplus (1)	1.23:1	1.24:1	1.25:1	1.28:1	1.29:1

(1) Based on 12 months of rolling net written premiums.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

6

The Travelers Companies, Inc.
Written and Earned Premiums - Property and Casualty Operations
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Written premiums					
Gross	\$ 7,018	\$ 6,927	\$ 7,063	\$ 6,640	\$ 7,418
Ceded	(523)	(287)	(403)	(216)	(594)
Net	\$ 6,495	\$ 6,640	\$ 6,660	\$ 6,424	\$ 6,824
Earned premiums					
Gross	\$ 6,550	\$ 6,720	\$ 6,906	\$ 6,978	\$ 6,903
Ceded	(367)	(369)	(383)	(352)	(366)
Net	\$ 6,183	\$ 6,351	\$ 6,523	\$ 6,626	\$ 6,537

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

7

The Travelers Companies, Inc.
Segment Income - Business Insurance
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Premiums	\$ 3,429	\$ 3,504	\$ 3,576	\$ 3,637	\$ 3,568
Net investment income	453	447	437	449	446
Fee income	109	112	108	101	99
Other revenues	9	15	19	26	31

Total revenues	4,000	4,078	4,140	4,213	4,144
Claims and expenses					
Claims and claim adjustment expenses	2,265	2,306	2,847	2,103	2,392
Amortization of deferred acquisition costs	554	567	579	586	580
General and administrative expenses	610	636	643	674	650
Total claims and expenses	3,429	3,509	4,069	3,363	3,622
Segment income before income taxes	571	569	71	850	522
Income tax expense (benefit)	129	140	(34)	213	70
Segment income	\$ 442	\$ 429	\$ 105	\$ 637	\$ 452
Other statistics					
Effective tax rate on net investment income	22.0%	22.2%	22.4%	22.7%	14.7%
Net investment income (after-tax)	\$ 353	\$ 348	\$ 338	\$ 348	\$ 380
Catastrophes, net of reinsurance:					
Pre-tax	\$ 132	\$ 184	\$ 489	\$ 53	\$ 138
After-tax	\$ 86	\$ 120	\$ 318	\$ 34	\$ 110
Prior year reserve development - favorable					
Pre-tax (1)	\$ 61	\$ 125	\$ 9	\$ 244	\$ 66
After-tax (1)	\$ 30	\$ 81	\$ 6	\$ 159	\$ 52

(1) The first quarter of 2017 includes the unfavorable impact of \$62 million pre-tax (\$51 million after-tax) in the Company's international operations in Europe due to the UK Ministry of Justice's "Ogden" discount rate adjustment applied to lump sum bodily injury payouts.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Segment Income by Major Component and Combined Ratio - Business Insurance
(\$ in millions, net of tax)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Underwriting gain (loss)	\$ 83	\$ 69	\$ (233)	\$ 288	\$ 70
Net investment income	353	348	338	348	380
Other income	6	12	—	1	2
Segment income	\$ 442	\$ 429	\$ 105	\$ 637	\$ 452
Combined ratio (1) (2)					
Loss and loss adjustment expense ratio	64.5%	64.3%	78.1%	56.5%	65.7%
Underwriting expense ratio	31.9%	32.2%	31.7%	32.1%	31.8%
Combined ratio	96.4%	96.5%	109.8%	88.6%	97.5%
Impact on combined ratio:					
Net favorable prior year reserve development	-1.8%	-3.6%	-0.3%	-6.7%	-1.9%
Catastrophes, net of reinsurance	3.8%	5.3%	13.7%	1.4%	3.9%
Underlying combined ratio	94.4%	94.8%	96.4%	93.9%	95.5%

(1) Before policyholder dividends.

(2) Billing and policy fees and other, which are a component of other revenues, are allocated as a reduction of underwriting expenses. In addition, fee income is allocated as a reduction of losses and loss adjustment expenses and underwriting expenses. In addition, general and administrative expenses include non-insurance expenses that are excluded from underwriting expenses, and accordingly are excluded in calculating the combined ratio. See following:

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Billing and policy fees and other	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
Fee income:					
Loss and loss adjustment expenses	\$ 42	\$ 42	\$ 42	\$ 36	\$ 37
Underwriting expenses	67	70	66	65	62

Total fee income	\$ 109	\$ 112	\$ 108	\$ 101	\$ 99
Non-insurance general and administrative expenses	\$ —	\$ —	\$ 21	\$ 24	\$ 28

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

9

The Travelers Companies, Inc.
Selected Statistics - Business Insurance
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Statutory underwriting					
Gross written premiums	\$ 4,271	\$ 3,794	\$ 3,787	\$ 3,621	\$ 4,471
Net written premiums	\$ 3,855	\$ 3,544	\$ 3,434	\$ 3,437	\$ 3,994
Net earned premiums	\$ 3,429	\$ 3,504	\$ 3,576	\$ 3,637	\$ 3,568
Losses and loss adjustment expenses	2,215	2,254	2,795	2,053	2,344
Underwriting expenses	1,169	1,153	1,106	1,126	1,213
Statutory underwriting gain (loss)	45	97	(325)	458	11
Policyholder dividends	9	12	10	11	11
Statutory underwriting gain (loss) after policyholder dividends	\$ 36	\$ 85	\$ (335)	\$ 447	\$ —

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

10

The Travelers Companies, Inc.
Net Written Premiums - Business Insurance
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net written premiums by market					
Domestic					
Select Accounts	\$ 755	\$ 720	\$ 664	\$ 661	\$ 773
Middle Market	2,177	1,820	1,896	1,863	2,262
National Accounts	288	219	244	259	309
National Property and Other	386	496	428	381	380
Total Domestic	3,606	3,255	3,232	3,164	3,724
International	249	289	202	273	270
Total	\$ 3,855	\$ 3,544	\$ 3,434	\$ 3,437	\$ 3,994

Net written premiums by product line

Domestic					
Workers' compensation	\$ 1,207	\$ 925	\$ 918	\$ 876	\$ 1,190
Commercial automobile	581	543	549	546	651
Commercial property	402	506	441	423	391
General liability	558	491	519	518	591
Commercial multi-peril	855	788	787	798	896
Other	3	2	18	3	5
Total Domestic	3,606	3,255	3,232	3,164	3,724
International	249	289	202	273	270
Total	\$ 3,855	\$ 3,544	\$ 3,434	\$ 3,437	\$ 3,994

National Accounts

Additions to claim volume under administration (1)	\$ 734	\$ 529	\$ 521	\$ 581	\$ 771
Written fees	\$ 104	\$ 85	\$ 83	\$ 75	\$ 103

(1) Includes new and renewal business.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

11

The Travelers Companies, Inc.
Segment Income - Bond & Specialty Insurance
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Premiums	\$ 555	\$ 575	\$ 591	\$ 586	\$ 582
Net investment income	61	56	57	54	58
Other revenues	5	6	5	8	6
Total revenues	<u>621</u>	<u>637</u>	<u>653</u>	<u>648</u>	<u>646</u>
Claims and expenses					
Claims and claim adjustment expenses	227	174	236	262	216
Amortization of deferred acquisition costs	103	108	111	110	107
General and administrative expenses	113	116	115	120	115
Total claims and expenses	<u>443</u>	<u>398</u>	<u>462</u>	<u>492</u>	<u>438</u>
Segment income before income taxes	178	239	191	156	208
Income tax expense	33	76	55	44	35
Segment income	<u>\$ 145</u>	<u>\$ 163</u>	<u>\$ 136</u>	<u>\$ 112</u>	<u>\$ 173</u>

Other statistics

Effective tax rate on net investment income	14.6%	17.6%	18.9%	19.6%	14.5%
Net investment income (after-tax)	\$ 52	\$ 46	\$ 47	\$ 43	\$ 50

Catastrophes, net of reinsurance:

Pre-tax	\$ 1	\$ 1	\$ 6	\$ (2)	\$ —
After-tax	\$ —	\$ 1	\$ 4	\$ (1)	\$ —

Prior year reserve development - favorable

Pre-tax	\$ 14	\$ 78	\$ 6	\$ 42	\$ 35
After-tax	\$ 10	\$ 51	\$ 4	\$ 27	\$ 28

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

12

The Travelers Companies, Inc.
Segment Income by Major Component and Combined Ratio - Bond & Specialty Insurance
(\$ in millions, net of tax)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Underwriting gain	\$ 89	\$ 114	\$ 85	\$ 64	\$ 119
Net investment income	52	46	47	43	50
Other income	4	3	4	5	4
Segment income	<u>\$ 145</u>	<u>\$ 163</u>	<u>\$ 136</u>	<u>\$ 112</u>	<u>\$ 173</u>
Combined ratio					
Loss and loss adjustment expense ratio	40.6%	29.7%	39.5%	44.6%	36.6%
Underwriting expense ratio	38.8%	39.0%	38.2%	39.1%	38.1%
Combined ratio	<u>79.4%</u>	<u>68.7%</u>	<u>77.7%</u>	<u>83.7%</u>	<u>74.7%</u>

Impact on combined ratio:

Net favorable prior year reserve development	-2.6%	-13.5%	-0.9%	-7.2%	-6.0%
Catastrophes, net of reinsurance	0.1%	0.2%	0.9%	-0.2%	0.0%
Underlying combined ratio	<u>81.9%</u>	<u>82.0%</u>	<u>77.7%</u>	<u>91.1%</u>	<u>80.7%</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

13

The Travelers Companies, Inc.
Selected Statistics - Bond & Specialty Insurance
(\$ in millions)



	<u>1Q 2017</u>	<u>2Q 2017</u>	<u>3Q 2017</u>	<u>4Q 2017</u>	<u>1Q 2018</u>
Statutory underwriting					
Gross written premiums	\$ 601	\$ 620	\$ 632	\$ 627	\$ 638
Net written premiums	\$ 544	\$ 598	\$ 611	\$ 606	\$ 574
Net earned premiums	\$ 555	\$ 575	\$ 591	\$ 586	\$ 582
Losses and loss adjustment expenses	226	170	233	261	213
Underwriting expenses	219	228	231	226	232
Statutory underwriting gain	110	177	127	99	137
Policyholder dividends	2	3	2	2	2
Statutory underwriting gain after policyholder dividends	<u>\$ 108</u>	<u>\$ 174</u>	<u>\$ 125</u>	<u>\$ 97</u>	<u>\$ 135</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

14

The Travelers Companies, Inc.
Net Written Premiums - Bond & Specialty Insurance
(\$ in millions)



	<u>1Q 2017</u>	<u>2Q 2017</u>	<u>3Q 2017</u>	<u>4Q 2017</u>	<u>1Q 2018</u>
Net written premiums by market					
Domestic					
Management Liability	\$ 330	\$ 341	\$ 359	\$ 337	\$ 348
Surety	174	211	212	196	185
Total Domestic	504	552	571	533	533
International	40	46	40	73	41
Total	<u>\$ 544</u>	<u>\$ 598</u>	<u>\$ 611</u>	<u>\$ 606</u>	<u>\$ 574</u>
Net written premiums by product line					
Domestic					
Fidelity & surety	\$ 225	\$ 260	\$ 264	\$ 244	\$ 241
General liability	234	249	247	247	244
Other	45	43	60	42	48
Total Domestic	504	552	571	533	533
International	40	46	40	73	41
Total	<u>\$ 544</u>	<u>\$ 598</u>	<u>\$ 611</u>	<u>\$ 606</u>	<u>\$ 574</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

15

The Travelers Companies, Inc.
Segment Income (Loss) - Personal Insurance
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Premiums	\$ 2,199	\$ 2,272	\$ 2,356	\$ 2,403	\$ 2,387
Net investment income	96	95	94	98	99
Fee income	4	4	5	4	4
Other revenues	16	15	14	15	17
Total revenues	<u>2,315</u>	<u>2,386</u>	<u>2,469</u>	<u>2,520</u>	<u>2,507</u>
Claims and expenses					
Claims and claim adjustment expenses	1,602	1,745	1,723	1,977	1,688
Amortization of deferred acquisition costs	346	357	369	376	374
General and administrative expenses	265	285	280	281	288
Total claims and expenses	<u>2,213</u>	<u>2,387</u>	<u>2,372</u>	<u>2,634</u>	<u>2,350</u>
Segment income (loss) before income taxes	102	(1)	97	(114)	157
Income tax expense (benefit)	13	(13)	20	(64)	28
Segment income (loss)	<u>\$ 89</u>	<u>\$ 12</u>	<u>\$ 77</u>	<u>\$ (50)</u>	<u>\$ 129</u>
Other statistics					
Effective tax rate on net investment income	22.3%	22.5%	22.7%	22.9%	15.6%
Net investment income (after-tax)	\$ 75	\$ 74	\$ 72	\$ 76	\$ 83
Catastrophes, net of reinsurance:					
Pre-tax	\$ 214	\$ 218	\$ 205	\$ 448	\$ 216
After-tax	\$ 140	\$ 141	\$ 133	\$ 291	\$ 170
Prior year reserve development - favorable (unfavorable)					
Pre-tax	\$ 6	\$ —	\$ —	\$ 7	\$ 49
After-tax	\$ 4	\$ —	\$ —	\$ 6	\$ 39

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Segment Income (Loss) by Major Component and Combined Ratio - Personal Insurance
(\$ in millions, net of tax)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Underwriting gain (loss)	\$ 3	\$ (71)	\$ (5)	\$ (136)	\$ 33
Net investment income	75	74	72	76	83
Other income	11	9	10	10	13
Segment income (loss)	<u>\$ 89</u>	<u>\$ 12</u>	<u>\$ 77</u>	<u>\$ (50)</u>	<u>\$ 129</u>
Combined ratio (1)					
Loss and loss adjustment expense ratio	72.9%	76.8%	73.1%	82.2%	70.7%
Underwriting expense ratio	26.7%	27.3%	26.6%	26.5%	26.8%
Combined ratio	<u>99.6%</u>	<u>104.1%</u>	<u>99.7%</u>	<u>108.7%</u>	<u>97.5%</u>
<i>Domestic Agency combined ratio</i>	<i>99.0 %</i>	<i>103.5 %</i>	<i>98.7 %</i>	<i>108.7 %</i>	<i>96.5 %</i>
Impact on combined ratio:					
Net (favorable)/unfavorable prior year reserve development	-0.3%	0.0%	0.0%	-0.3%	-2.0%
Catastrophes, net of reinsurance	9.8%	9.6%	8.7%	18.6%	9.0%
Underlying combined ratio	<u>90.1%</u>	<u>94.5%</u>	<u>91.0%</u>	<u>90.4%</u>	<u>90.5%</u>

(1) Billing and policy fees and other, which are a component of other revenues, and fee income are allocated as a reduction of underwriting expenses.

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Billing and policy fees and other	\$ 19	\$ 18	\$ 18	\$ 17	\$ 19

Fee income	\$	<u>4</u>	\$	<u>4</u>	\$	<u>5</u>	\$	<u>4</u>	\$	<u>4</u>
------------	----	----------	----	----------	----	----------	----	----------	----	----------

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

17

The Travelers Companies, Inc.
Selected Statistics - Personal Insurance
(\$ in millions)



	<u>1Q</u> <u>2017</u>	<u>2Q</u> <u>2017</u>	<u>3Q</u> <u>2017</u>	<u>4Q</u> <u>2017</u>	<u>1Q</u> <u>2018</u>
Statutory underwriting					
Gross written premiums	\$ 2,146	\$ 2,513	\$ 2,644	\$ 2,392	\$ 2,309
Net written premiums	\$ 2,096	\$ 2,498	\$ 2,615	\$ 2,381	\$ 2,256
Net earned premiums	\$ 2,199	\$ 2,272	\$ 2,356	\$ 2,403	\$ 2,387
Losses and loss adjustment expenses	1,602	1,745	1,723	1,977	1,688
Underwriting expenses	587	668	681	640	627
Statutory underwriting gain (loss)	<u>\$ 10</u>	<u>\$ (141)</u>	<u>\$ (48)</u>	<u>\$ (214)</u>	<u>\$ 72</u>
Policies in force (in thousands)					
Automobile	2,929	2,962	2,979	2,983	2,976
Homeowners and Other	4,639	4,702	4,773	4,826	4,879

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

18

The Travelers Companies, Inc.
Net Written Premiums - Personal Insurance
(\$ in millions)



	<u>1Q</u> <u>2017</u>	<u>2Q</u> <u>2017</u>	<u>3Q</u> <u>2017</u>	<u>4Q</u> <u>2017</u>	<u>1Q</u> <u>2018</u>
Net written premiums by market					
Domestic					
Agency					
Automobile	\$ 1,087	\$ 1,159	\$ 1,228	\$ 1,172	\$ 1,183
Homeowners and Other	794	1,077	1,107	955	832
Total Agency	1,881	2,236	2,335	2,127	2,015
Direct-to-Consumer					
Total Domestic	1,964	2,324	2,435	2,217	2,107
International					
Total	<u>\$ 2,096</u>	<u>\$ 2,498</u>	<u>\$ 2,615</u>	<u>\$ 2,381</u>	<u>\$ 2,256</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

19

The Travelers Companies, Inc.
Selected Statistics - Personal Insurance - Domestic Agency Automobile (1)
(\$ in millions)



	<u>1Q</u> <u>2017</u>	<u>2Q</u> <u>2017</u>	<u>3Q</u> <u>2017</u>	<u>4Q</u> <u>2017</u>	<u>1Q</u> <u>2018</u>
Statutory underwriting					
Gross written premiums	\$ 1,094	\$ 1,164	\$ 1,234	\$ 1,179	\$ 1,192
Net written premiums	\$ 1,087	\$ 1,159	\$ 1,228	\$ 1,172	\$ 1,183

Net earned premiums	\$ 1,035	\$ 1,083	\$ 1,128	\$ 1,158	\$ 1,158
Losses and loss adjustment expenses	800	890	936	920	823
Underwriting expenses	260	278	279	281	285
Statutory underwriting gain (loss)	<u>\$ (25)</u>	<u>\$ (85)</u>	<u>\$ (87)</u>	<u>\$ (43)</u>	<u>\$ 50</u>

Other statistics

Combined ratio (2):

Loss and loss adjustment expense ratio	77.3%	82.2%	83.0%	79.4%	71.1%
Underwriting expense ratio	23.8%	24.2%	23.0%	23.6%	23.7%
Combined ratio	<u>101.1%</u>	<u>106.4%</u>	<u>106.0%</u>	<u>103.0%</u>	<u>94.8%</u>

Impact on combined ratio:

Net (favorable)/unfavorable prior year reserve development	0.0%	0.0%	0.0%	0.0%	-2.3%
Catastrophes, net of reinsurance	2.5%	4.0%	7.2%	-1.1%	0.8%
Underlying combined ratio	<u>98.6%</u>	<u>102.4%</u>	<u>98.8%</u>	<u>104.1%</u>	<u>96.3%</u>

Catastrophe losses, net of reinsurance:

Pre-tax	\$ 26	\$ 43	\$ 80	\$ (12)	\$ 10
After-tax	\$ 17	\$ 28	\$ 52	\$ (8)	\$ 8

Prior year reserve development - favorable (unfavorable)

Pre-tax	\$ —	\$ —	\$ —	\$ —	\$ 27
After-tax	\$ —	\$ —	\$ —	\$ —	\$ 21

Policies in force (in thousands)	2,482	2,514	2,528	2,529	2,519
Change from prior year quarter	12.2%	10.5%	7.6%	4.2%	1.5%
Change from prior quarter	2.2%	1.3%	0.6%	0.0%	-0.4%

(1) Represents Automobile policies sold through agents, brokers and other intermediaries, and excludes direct to consumer.

(2) Billing and policy fees and other, which are a component of other revenues, and fee income are allocated as a reduction of underwriting expenses.

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Billing and policy fees and other	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 10</u>
Fee income	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 3</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.

Selected Statistics - Personal Insurance - Domestic Agency Homeowners and Other (1)

(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Statutory underwriting					
Gross written premiums	\$ 835	\$ 1,085	\$ 1,123	\$ 957	\$ 873
Net written premiums	\$ 794	\$ 1,077	\$ 1,107	\$ 955	\$ 832
Net earned premiums	\$ 934	\$ 955	\$ 976	\$ 987	\$ 972
Losses and loss adjustment expenses	646	686	605	865	687
Underwriting expenses	243	299	305	270	255
Statutory underwriting gain (loss)	<u>\$ 45</u>	<u>\$ (30)</u>	<u>\$ 66</u>	<u>\$ (148)</u>	<u>\$ 30</u>

Other statistics

Combined ratio (2):

Loss and loss adjustment expense ratio	69.1%	71.9%	62.1%	87.6%	70.7%
Underwriting expense ratio	27.6%	28.4%	28.2%	27.7%	27.8%
Combined ratio	<u>96.7%</u>	<u>100.3%</u>	<u>90.3%</u>	<u>115.3%</u>	<u>98.5%</u>

Impact on combined ratio:					
Net (favorable)/unfavorable prior year reserve development	0.0%	0.0%	0.0%	0.0%	-2.4%
Catastrophes, net of reinsurance	19.1%	17.5%	12.2%	45.1%	20.7%
Underlying combined ratio	<u>77.6%</u>	<u>82.8%</u>	<u>78.1%</u>	<u>70.2%</u>	<u>80.2%</u>
Catastrophe losses, net of reinsurance:					
Pre-tax	\$ 178	\$ 168	\$ 119	\$ 444	\$ 201
After-tax	\$ 116	\$ 109	\$ 77	\$ 289	\$ 159
Prior year reserve development - favorable (unfavorable)					
Pre-tax	\$ —	\$ —	\$ —	\$ —	\$ 24
After-tax	\$ —	\$ —	\$ —	\$ —	\$ 19
Policies in force (in thousands)	4,222	4,283	4,352	4,402	4,453
Change from prior year quarter	3.8%	4.0%	5.0%	5.5%	5.5%
Change from prior quarter	1.1%	1.4%	1.6%	1.1%	1.2%

(1) Represents Homeowners and Other Lines sold through agents, brokers and other intermediaries, and excludes direct to consumer.

(2) Billing and policy fees and other, which are a component of other revenues, and fee income are allocated as a reduction of underwriting expenses.

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Billing and policy fees and other	\$ 7	\$ 6	\$ 6	\$ 6	\$ 6
Fee income	\$ 2	\$ 2	\$ 2	\$ 1	\$ 2

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

21

The Travelers Companies, Inc.
Interest Expense and Other
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Revenues					
Other revenues	\$ 1	\$ 3	\$ 2	\$ —	\$ —
Claims and expenses					
Interest expense	89	92	95	93	89
General and administrative expenses	8	8	7	9	9
Total claims and expenses	<u>97</u>	<u>100</u>	<u>102</u>	<u>102</u>	<u>98</u>
Loss before income tax benefit	(96)	(97)	(100)	(102)	(98)
Income taxes	(34)	(36)	(35)	(36)	(22)
Loss	<u>\$ (62)</u>	<u>\$ (61)</u>	<u>\$ (65)</u>	<u>\$ (66)</u>	<u>\$ (76)</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

22

The Travelers Companies, Inc.
Consolidated Balance Sheet
(in millions)



March 31,
2018

December 31,
2017

Assets

Fixed maturities, available for sale, at fair value (amortized cost \$62,093 and \$61,316)	\$ 62,266	\$ 62,694
Equity securities, at fair value (cost \$431 and \$440)	430	453
Real estate investments	954	932
Short-term securities	4,486	4,895
Other investments	3,588	3,528
Total investments	71,724	72,502
Cash	397	344
Investment income accrued	567	606
Premiums receivable	7,536	7,144
Reinsurance recoverables	8,298	8,309
Ceded unearned premiums	777	551
Deferred acquisition costs	2,086	2,025
Deferred taxes	368	70
Contractholder receivables	4,835	4,775
Goodwill	3,959	3,951
Other intangible assets	341	342
Other assets	2,788	2,864
Total assets	\$ 103,676	\$ 103,483
	March 31,	December 31,
	2018	2017
Liabilities		
Claims and claim adjustment expense reserves	\$ 49,810	\$ 49,650
Unearned premium reserves	13,424	12,915
Contractholder payables	4,835	4,775
Payables for reinsurance premiums	498	274
Debt	6,963	6,571
Other liabilities	5,167	5,567
Total liabilities	80,697	79,752
Shareholders' equity		
Common stock (1,750.0 shares authorized; 270.3 and 271.5 shares issued, 270.2 and 271.4 shares outstanding)	22,995	22,886
Retained earnings	33,981	33,462
Accumulated other comprehensive loss	(1,322)	(343)
Treasury stock, at cost (503.7 and 500.9 shares)	(32,675)	(32,274)
Total shareholders' equity	22,979	23,731
Total liabilities and shareholders' equity	\$ 103,676	\$ 103,483

The Travelers Companies, Inc.
Investment Portfolio
(at carrying value, \$ in millions)



	<u>March 31,</u> <u>2018</u>	<u>Pre-tax Book</u> <u>Yield (1)</u>	<u>December 31,</u> <u>2017</u>	<u>Pre-tax Book</u> <u>Yield (1)</u>
Investment portfolio				
Taxable fixed maturities (including redeemable preferred stock)	\$ 33,121	3.13%	\$ 32,089	3.09%
Tax-exempt fixed maturities	29,145	3.14%	30,605	3.12%
Total fixed maturities	62,266	3.13%	62,694	3.10%
Non-redeemable preferred stocks	106	5.33%	114	5.34%
Public common stocks	324		339	
Total equity securities	430		453	
Real estate investments	954		932	
Short-term securities	4,486	1.77%	4,895	1.39%
Private equities	2,194		2,145	
Hedge funds	302		303	
Real estate partnerships	670		661	
Other investments	422		419	

Total other investments	<u>3,588</u>	<u>3,528</u>
Total investments	<u>\$ 71,724</u>	<u>\$ 72,502</u>
Net unrealized investment gains, net of tax, included in accumulated other comprehensive income	<u>\$ 133</u>	<u>\$ 954</u>
Tax effect of TCJA (2)	<u>—</u>	<u>158</u>
Net unrealized investment gains, net of tax, included in shareholders' equity	<u>\$ 133</u>	<u>\$ 1,112</u>

(1) Yields are provided for those investments with an embedded book yield.

(2) At December 31, 2017 shareholders' equity included a \$158 million tax benefit related to net unrealized investment gains (losses) that was recorded in net income as part of the \$129 million charge related to enactment of TCJA. In accordance with new accounting guidance adopted on January 1, 2018, the Company reclassified the stranded tax effects of TCJA from accumulated other comprehensive income to retained earnings. See note 1 of notes to consolidated financial statements in the Company's Form 10-Q for the quarterly period ended March 31, 2018.

24

The Travelers Companies, Inc.
Investment Portfolio - Fixed Maturities Data
(at carrying value, \$ in millions)



	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Fixed maturities		
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 2,034	\$ 2,076
Obligations of states and political subdivisions:		
Pre-refunded	3,761	3,899
All other	25,679	27,016
Total	<u>29,440</u>	<u>30,915</u>
Debt securities issued by foreign governments	1,327	1,509
Mortgage-backed securities - principally obligations of U.S. Government agencies	2,531	2,410
Corporates (including redeemable preferreds)	26,934	25,784
Total fixed maturities	<u>\$ 62,266</u>	<u>\$ 62,694</u>

Fixed Maturities
Quality Characteristics (1)

	<u>March 31, 2018</u>	
	<u>Amount</u>	<u>% of Total</u>
Quality Ratings		
Aaa	\$ 26,101	41.9%
Aa	15,992	25.7
A	10,416	16.7
Baa	8,106	13.0
Total investment grade	<u>60,615</u>	<u>97.3</u>
Ba	953	1.6
B	510	0.8
Caa and lower	188	0.3
Total below investment grade	<u>1,651</u>	<u>2.7</u>
Total fixed maturities	<u>\$ 62,266</u>	<u>100.0%</u>
Average weighted quality	Aa2, AA	
Weighted average duration of fixed maturities and short-term securities, net of securities lending activities and net receivables and payables on investment sales and purchases	<u>4.3</u>	

(1) Rated using external rating agencies or by Travelers when a public rating does not exist. Below investment grade assets refer to securities rated "Ba" or below.

25

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Gross investment income					
Fixed maturities	\$ 477	\$ 471	\$ 469	\$ 478	\$ 481
Short-term securities	11	13	19	19	19
Other	131	124	108	115	113
	<u>619</u>	<u>608</u>	<u>596</u>	<u>612</u>	<u>613</u>
Investment expenses	9	10	8	11	10
Net investment income, pre-tax	610	598	588	601	603
Income taxes	130	130	131	134	90
Net investment income, after-tax	<u>\$ 480</u>	<u>\$ 468</u>	<u>\$ 457</u>	<u>\$ 467</u>	<u>\$ 513</u>
Effective tax rate	21.3%	21.9%	22.1%	22.4%	14.9%
Average invested assets (1)	\$ 70,865	\$ 71,385	\$ 72,363	\$ 72,781	\$ 72,524
Average yield pre-tax (1)	3.4%	3.4%	3.2%	3.3%	3.3%
Average yield after-tax	2.7%	2.6%	2.5%	2.6%	2.8%

(1) Excludes net unrealized investment gains, and is adjusted for cash, receivables for investment sales, payables on investment purchases and accrued investment income.

The Travelers Companies, Inc.
Net Realized and Unrealized Investment Gains (Losses) included in Shareholders' Equity
(\$ in millions)

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net realized investment gains (losses)					
Fixed maturities	\$ 4	\$ 5	\$ 9	\$ (18)	\$ —
Equity securities (1)	5	79	54	89	(14)
Other (2)	(4)	(4)	(2)	(1)	3
Realized investment gains (losses) before tax	5	80	61	70	(11)
Related taxes	2	28	21	23	(2)
Net realized investment gains (losses)	<u>\$ 3</u>	<u>\$ 52</u>	<u>\$ 40</u>	<u>\$ 47</u>	<u>\$ (9)</u>
Gross investment gains (losses)					
Gross investment gains (2)	\$ 58	\$ 128	\$ 106	\$ 147	\$ 32
Gross investment losses before impairments (2)	(51)	(43)	(40)	(75)	(43)
Net investment gains (losses) before impairments	7	85	66	72	(11)
Other-than-temporary impairment losses	(2)	(5)	(5)	(2)	—
Net realized investment gains (losses) before tax	5	80	61	70	(11)
Related taxes	2	28	21	23	(2)
Net realized investment gains (losses)	<u>\$ 3</u>	<u>\$ 52</u>	<u>\$ 40</u>	<u>\$ 47</u>	<u>\$ (9)</u>
	<u>March 31,</u> 2017	<u>June 30,</u> 2017	<u>September 30,</u> 2017	<u>December 31,</u> 2017	<u>March 31,</u> 2018
Net unrealized investment gains, net of tax, included in shareholders' equity, by asset type					
Fixed maturities	\$ 999	\$ 1,425	\$ 1,430	\$ 1,378	\$ 173
Equity securities & other	256	160	115	36	2
Unrealized investment gains before tax	1,255	1,585	1,545	1,414	175
Related taxes (3)	432	550	539	302	42
Balance, end of period	<u>\$ 823</u>	<u>\$ 1,035</u>	<u>\$ 1,006</u>	<u>\$ 1,112</u>	<u>\$ 133</u>

(1) In accordance with new accounting guidance effective for the quarter ending March 31, 2018, changes in fair value of equity investments,

except those accounted for under the equity method of accounting, are recognized in net income. See note 1 of notes to consolidated financial statements in the Company's Form 10-Q for the quarterly period ended March 31, 2018.

(2) Includes the following gross investment gains and gross investment losses related to U.S. Treasury futures, which are settled daily:

Gross investment Treasury future gains	\$	31	\$	26	\$	30	\$	25	\$	25
Gross investment Treasury future losses	\$	34	\$	31	\$	30	\$	21	\$	14

The Company entered into these arrangements as part of its strategy to manage the duration of its fixed maturity portfolio. In a changing interest rate environment, the change in the value of the futures contracts can be expected to partially offset changes in the value of the fixed maturity portfolio.

(3) At December 31, 2017, shareholders' equity included \$460 million of taxes on unrealized investment gains (losses) recorded in accumulated other comprehensive income, partially offset by a \$158 million tax benefit related to net unrealized investment gains (losses) recorded in retained earnings as part of the effect of enactment of TCJA. In accordance with new accounting guidance adopted on January 1, 2018, the Company reclassified the stranded tax effects of TCJA from accumulated other comprehensive income to retained earnings. See note 1 of notes to consolidated financial statements in the Company's Form 10-Q for the quarterly period ended March 31, 2018.

The Travelers Companies, Inc.
Reinsurance Recoverables
(\$ in millions)



	March 31, 2018	December 31, 2017
Gross reinsurance recoverables on paid and unpaid claims and claim adjustment expenses	\$ 3,336	\$ 3,303
Allowance for uncollectible reinsurance	(110)	(111)
Net reinsurance recoverables (i)	3,226	3,192
Mandatory pools and associations (ii)	1,976	2,011
Structured settlements (iii)	3,096	3,106
Total reinsurance recoverables	<u>\$ 8,298</u>	<u>\$ 8,309</u>

(i) The Company's top five reinsurer groups, including retroactive reinsurance, included in net reinsurance recoverables is as follows:

Reinsurer	A.M. Best Rating of Group's Predominant Reinsurer	March 31, 2018
Swiss Re Group	A+ second highest of 16 ratings	\$ 438
Munich Re Group	A+ second highest of 16 ratings	273
Berkshire Hathaway	A++ highest of 16 ratings	260
Sompo Japan Nipponkoa Group	A+ second highest of 16 ratings	199
XL Capital Group (1)	A third highest of 16 ratings	172

The gross reinsurance recoverables on paid and unpaid claims and claim adjustment expenses represent the current and estimated future amounts due from reinsurers on known and incurred but not reported claims. The ceded reserves are estimated in a manner consistent with the underlying direct and assumed reserves. Although this total comprises recoverables due from nearly one thousand different reinsurance entities, about half is attributable to 10 reinsurer groups.

The net reinsurance recoverables reflect an allowance for uncollectible reinsurance that is based upon the Company's ongoing review of amounts outstanding, reinsurer solvency, the Company's experience, current economic conditions, and other relevant factors. Of the total net recoverables due from reinsurers at March 31, 2018, after deducting mandatory pools and associations and structured settlement balances, \$2.6 billion, or 81%, were rated by A.M. Best Company. Of the total rated by A.M. Best Company, 99% were rated A- or better. The remaining 19% of net recoverables from reinsurers were comprised of the following: 3% related to the Company's participation in voluntary pools, 12% related to recoverables from captive insurance companies and 4% were balances from other companies not rated by A.M. Best Company. In addition, \$0.9 billion of the net recoverables were collateralized by letters of credit, funds held or trust agreements at March 31, 2018.

(ii) The mandatory pools and associations represent various involuntary assigned risk pools that the Company is required to participate in. These pools principally involve workers' compensation and automobile insurance, which provide various insurance coverages to insureds that otherwise are unable to purchase coverage in the open market. The costs of these mandatory pools in most states are usually charged back to the participating members in proportion to voluntary writings of related business in that state. In the event that a member of the pool becomes insolvent, the remaining members assume an additional pro rata share of the pool's liabilities. Recoverables due from the National Flood Insurance Program are included with mandatory pools.

(iii) Included in reinsurance recoverables are certain amounts related to structured settlements, which comprise annuities purchased from various life insurance companies to settle certain personal physical injury claims, of which workers' compensation claims comprise a significant portion. In cases where the Company did not receive a release from the claimant, the amount due from the life insurance company related to the structured

settlement is included in the Company's consolidated balance sheet as a liability and as a reinsurance recoverable, as the Company retains the contingent liability to pay the claimant in the event that the life insurance company fails to make the required annuity payments. The Company would be required to make such payments, to the extent the purchased annuities are not covered by state guaranty associations.

The Company's top five groups by structured settlement is as follows:

Group	A.M. Best Rating of Group's Predominant Insurer	March 31, 2018
Fidelity & Guaranty Life Group	B++ fifth highest of 16 ratings	\$ 852
Genworth Financial Group (2)	B+ sixth highest of 16 ratings	367
John Hancock Group	A+ second highest of 16 ratings	282
Brighthouse Financial, Inc.	A third highest of 16 ratings	277
Symetra Financial Corporation	A third highest of 16 ratings	256

(1) On March 5, 2018 Axa SA announced that it entered into an agreement to acquire XL Group Ltd. Following the announcement, A.M. Best placed XL's ratings under review with developing implications.

(2) On October 23, 2016, Genworth Financial (Genworth) announced that they have entered into a definitive agreement under which China Oceanwide Holdings Group Co., Ltd. (China Oceanwide) agreed to acquire all of the outstanding shares of Genworth. China Oceanwide is a privately held, family-owned international financial holding group headquartered in Beijing, China. On March 7, 2017 Genworth stockholders adopted the merger agreement, and the acquisition is pending the receipt of required regulatory approvals. On March 27, 2018, the parties agreed to extend the closing deadline for the transaction until July 1, 2018. On February 12, 2018, A.M. Best downgraded the financial strength rating of Genworth Life & Annuity Insurance Company to B+ (Good) from B++ (Good), and downgraded Genworth Life Insurance Company and Genworth Life Insurance Company of New York to B- (Fair) from B (Fair). A.M. Best has maintained the under-review status of all ratings and revised the implications to developing from negative.

The Travelers Companies, Inc.
Net Reserves for Losses and Loss Adjustment Expense
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Statutory Reserves for Losses and Loss Adjustment Expenses					
Business Insurance					
Beginning of period	\$ 32,407	\$ 32,621	\$ 32,789	\$ 33,501	\$ 33,107
Incurred	2,215	2,254	2,795	2,053	2,344
Paid	(2,019)	(2,132)	(2,132)	(2,451)	(2,163)
Foreign exchange and other	18	46	49	4	4
End of period	\$ 32,621	\$ 32,789	\$ 33,501	\$ 33,107	\$ 33,292
Bond & Specialty Insurance					
Beginning of period	\$ 3,150	\$ 3,132	\$ 3,122	\$ 3,144	\$ 3,187
Incurred	226	170	233	261	213
Paid	(249)	(193)	(224)	(221)	(201)
Foreign exchange and other	5	13	13	3	8
End of period	\$ 3,132	\$ 3,122	\$ 3,144	\$ 3,187	\$ 3,207
Personal Insurance					
Beginning of period	\$ 4,347	\$ 4,560	\$ 4,719	\$ 4,900	\$ 5,160
Incurred	1,602	1,745	1,723	1,977	1,688
Paid	(1,400)	(1,609)	(1,578)	(1,711)	(1,655)
Foreign exchange and other	11	23	36	(6)	(23)
End of period	\$ 4,560	\$ 4,719	\$ 4,900	\$ 5,160	\$ 5,170
Total					
Beginning of period	\$ 39,904	\$ 40,313	\$ 40,630	\$ 41,545	\$ 41,454
Incurred	4,043	4,169	4,751	4,291	4,245
Paid	(3,668)	(3,934)	(3,934)	(4,383)	(4,019)
Foreign exchange and other	34	82	98	1	(11)
End of period	\$ 40,313	\$ 40,630	\$ 41,545	\$ 41,454	\$ 41,669

Prior Year Reserve Development: Unfavorable

(Favorable)

Business Insurance

Asbestos	\$	—	\$	—	\$	225	\$	—	\$	—
Environmental		—		65		—		—		—
All other		(61)		(190)		(234)		(244)		(66)
Total Business Insurance (1)		(61)		(125)		(9)		(244)		(66)

Bond & Specialty Insurance

(14)	(78)	(6)	(42)	(35)
------	------	-----	------	------

Personal Insurance

(6)	—	—	(7)	(49)	
Total	\$ (81)	\$ (203)	\$ (15)	\$ (293)	\$ (150)

(1) Excludes accretion of discount.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Asbestos and Environmental Reserves
(\$ in millions)



	<u>1Q</u> <u>2017</u>	<u>2Q</u> <u>2017</u>	<u>3Q</u> <u>2017</u>	<u>4Q</u> <u>2017</u>	<u>1Q</u> <u>2018</u>
Asbestos reserves					
Beginning reserves:					
Gross	\$ 1,512	\$ 1,436	\$ 1,347	\$ 1,621	\$ 1,538
Ceded	(186)	(168)	(159)	(262)	(257)
Net	1,326	1,268	1,188	1,359	1,281
Incurred losses and loss expenses:					
Gross	—	—	340	—	—
Ceded	—	—	(115)	—	—
Paid loss and loss expenses:					
Gross	76	90	66	83	56
Ceded	(18)	(9)	(12)	(5)	(23)
Foreign exchange and other:					
Gross	—	1	—	—	1
Ceded	—	—	—	—	—
Ending reserves:					
Gross	1,436	1,347	1,621	1,538	1,483
Ceded	(168)	(159)	(262)	(257)	(234)
Net	<u>\$ 1,268</u>	<u>\$ 1,188</u>	<u>\$ 1,359</u>	<u>\$ 1,281</u>	<u>\$ 1,249</u>
Environmental reserves					
Beginning reserves:					
Gross	\$ 395	\$ 379	\$ 431	\$ 408	\$ 373
Ceded	(13)	(13)	(20)	(20)	(13)
Net	382	366	411	388	360
Incurred losses and loss expenses:					
Gross	—	74	—	—	—
Ceded	—	(9)	—	—	—
Paid loss and loss expenses:					
Gross	16	23	23	35	17
Ceded	—	(2)	—	(7)	(4)
Foreign exchange and other:					
Gross	—	1	—	—	—
Ceded	—	—	—	—	—
Ending reserves:					
Gross	379	431	408	373	356
Ceded	(13)	(20)	(20)	(13)	(9)
Net	<u>\$ 366</u>	<u>\$ 411</u>	<u>\$ 388</u>	<u>\$ 360</u>	<u>\$ 347</u>

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Capitalization
(\$ in millions)



Debt	March 31, 2018	December 31, 2017
Short-term debt		
Commercial paper	\$ —	\$ 100
5.80% Senior notes due May 15, 2018 (1)	500	500
Total short-term debt	500	600
Long-term debt		
5.90% Senior notes due June 2, 2019 (1)	500	500
3.90% Senior notes due November 1, 2020 (1)	500	500
7.75% Senior notes due April 15, 2026	200	200
7.625% Junior subordinated debentures due December 15, 2027	125	125
6.375% Senior notes due March 15, 2033 (1)	500	500
6.75% Senior notes due June 20, 2036 (1)	400	400
6.25% Senior notes due June 15, 2037 (1)	800	800
5.35% Senior notes due November 1, 2040 (1)	750	750
4.60% Senior notes due August 1, 2043 (1)	500	500
4.30% Senior notes due August 25, 2045 (1)	400	400
8.50% Junior subordinated debentures due December 15, 2045	56	56
3.75% Senior notes due May 15, 2046 (1)	500	500
8.312% Junior subordinated debentures due July 1, 2046	73	73
4.00% Senior notes due May 30, 2047 (1)	700	700
4.05% Senior notes due March 7, 2048 (1)	500	—
Total long-term debt	6,504	6,004
Unamortized fair value adjustment	45	46
Unamortized debt issuance costs	(86)	(79)
	6,463	5,971
Total debt	6,963	6,571
Common equity (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	22,846	22,619
Total capital (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	\$ 29,809	\$ 29,190
Total debt to capital (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	23.4%	22.5%

(1) Redeemable anytime with "make-whole" premium.

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Statutory Capital and Surplus to GAAP Shareholders' Equity Reconciliation
(\$ in millions)



	March 31, 2018 (1)	December 31, 2017
Statutory capital and surplus	\$ 20,533	\$ 20,448
GAAP adjustments		
Goodwill and intangible assets	3,684	3,692
Investments	567	1,783
Noninsurance companies	(4,152)	(4,283)

Deferred acquisition costs	2,086	2,025
Deferred federal income tax	(695)	(934)
Current federal income tax	(8)	(12)
Reinsurance recoverables	55	55
Furniture, equipment & software	663	682
Agents balances	174	186
Other	72	89
Total GAAP adjustments	2,446	3,283
GAAP shareholders' equity	\$ 22,979	\$ 23,731

(1) Estimated and Preliminary

See Glossary of Financial Measures and Description of Reportable Business Segments on page 35.

The Travelers Companies, Inc.
Statement of Cash Flows
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Cash flows from operating activities					
Net income	\$ 617	\$ 595	\$ 293	\$ 551	\$ 669
Adjustments to reconcile net income to net cash provided by operating activities:					
Net realized investment (gains) losses	(5)	(80)	(61)	(70)	11
Depreciation and amortization	211	198	202	202	212
Deferred federal income tax expense	151	(45)	(18)	249	(56)
Amortization of deferred acquisition costs	1,003	1,032	1,059	1,072	1,061
Equity in income from other investments	(109)	(101)	(90)	(97)	(95)
Premiums receivable	(286)	(323)	92	123	(397)
Reinsurance recoverables	94	63	(176)	35	5
Deferred acquisition costs	(1,065)	(1,092)	(1,080)	(1,020)	(1,124)
Claims and claim adjustment expense reserves	334	164	1,063	(101)	180
Unearned premium reserves	475	214	163	(331)	518
Other (1)	(572)	281	284	50	(430)
Net cash provided by operating activities (1)	848	906	1,731	663	554
Cash flows from investing activities					
Proceeds from maturities of fixed maturities	2,218	2,082	2,281	2,169	1,950
Proceeds from sales of investments:					
Fixed maturities	188	375	297	994	1,085
Equity securities	21	179	140	425	26
Real estate investments	11	9	3	—	—
Other investments (1)	122	111	108	127	114
Purchases of investments:					
Fixed maturities	(3,056)	(2,617)	(2,730)	(3,847)	(3,920)
Equity securities	(22)	(144)	(27)	(266)	(20)
Real estate investments	(16)	(10)	(14)	(19)	(33)
Other investments	(124)	(135)	(133)	(149)	(142)
Net sales (purchases) of short-term securities	49	(473)	(566)	964	410
Securities transactions in course of settlement	157	13	(48)	(169)	202
Acquisitions, net of cash acquired	—	—	(439)	—	—
Other	(63)	(65)	(58)	(55)	(53)
Net cash provided by (used in) investing activities (1)	(515)	(675)	(1,186)	174	(381)

(1) In accordance with new accounting guidance, certain distributions received on equity method investments previously included in net cash flows from investing activities are now included in net cash flows from operating activities. Prior periods have been restated to conform to the new presentation. See note 1 of notes to consolidated financial statements in the Company's Form 10-Q for the quarterly period ended March 31, 2018.

The Travelers Companies, Inc.
Statement of Cash Flows (Continued)
(\$ in millions)



	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Cash flows from financing activities					
Treasury stock acquired - share repurchase authorization	(225)	(475)	(328)	(350)	(350)
Treasury stock acquired - net employee share-based compensation	(61)	—	—	(1)	(51)
Dividends paid to shareholders	(190)	(199)	(200)	(196)	(197)
Payment of debt	—	(207)	—	(450)	(100)
Issuance of debt	—	689	—	100	491
Issuance of common stock - employee share options	83	35	30	25	85
Net cash used in financing activities	(393)	(157)	(498)	(872)	(122)
Effect of exchange rate changes on cash	2	5	4	—	2
Net increase (decrease) in cash	(58)	79	51	(35)	53
Cash at beginning of period	307	249	328	379	344
Cash at end of period	<u>\$ 249</u>	<u>\$ 328</u>	<u>\$ 379</u>	<u>\$ 344</u>	<u>\$ 397</u>
Income taxes paid	\$ 2	\$ 321	\$ 144	\$ 47	\$ 56
Interest paid	\$ 43	\$ 135	\$ 39	\$ 150	\$ 39

The Travelers Companies, Inc.
Financial Supplement - First Quarter 2018
Glossary of Financial Measures and Description of Reportable Business Segments



The following measures are used by the Company's management to evaluate financial performance against historical results and establish targets on a consolidated basis. In some cases, these measures are considered non-GAAP financial measures under applicable SEC rules because they are not displayed as separate line items in the consolidated financial statements or are not required to be disclosed in the notes to financial statements or, in some cases, include or exclude certain items not ordinarily included or excluded in the most comparable GAAP financial measure.

In the opinion of the Company's management, a discussion of these measures provides investors, financial analysts, rating agencies and other financial statement users with a better understanding of the significant factors that comprise the Company's periodic results of operations and how management evaluates the Company's financial performance. Internally, the Company's management uses these measures to evaluate performance against historical results and establish financial targets on a consolidated basis.

Some of these measures exclude net realized investment gains (losses), net of tax, and/or net unrealized investment gains (losses), net of tax, included in shareholders' equity, which can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends.

Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by the Company's management.

Core income (loss) is consolidated net income (loss) excluding the after-tax impact of net realized investment gains (losses), discontinued operations, the effect of a change in tax laws or tax rates at enactment, and cumulative effect of changes in accounting principles when applicable.

Segment income (loss) is determined in the same manner as core income (loss) on a segment basis. Management uses segment income (loss) to analyze each segment's performance and as a tool in making business decisions. Financial statement users also consider core income when analyzing the results and trends of insurance companies. **Core income (loss) per share** is core income (loss) on a per common share basis.

Average shareholders' equity is (a) the sum of total shareholders' equity at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two. **Adjusted shareholders' equity** is shareholders' equity excluding net realized investment gains (losses), net of tax, net unrealized investment gains (losses), net of tax, included in shareholders' equity for the period presented and the effect of a change in tax laws and tax rates at enactment (excluding the portion related to net unrealized investment gains

(losses)). **Adjusted average shareholders' equity** is (a) the sum of total adjusted shareholders' equity at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two.

Return on equity is the ratio of annualized net income (loss) to average shareholders' equity for the periods presented. **Core return on equity** is the ratio of annualized core income (loss) to adjusted average shareholders' equity for the periods presented. In the opinion of the Company's management, these are important indicators of how well management creates value for its shareholders through its operating activities and its capital management.

Underwriting gain (loss) is net earned premiums and fee income less claims and claim adjustment expenses and insurance-related expenses. In the opinion of the Company's management, it is important to measure the profitability of each segment excluding the results of investing activities, which are managed separately from the insurance business. This measure is used to assess each segment's business performance and as a tool in making business decisions.

A **catastrophe** is a severe loss designated a catastrophe by internationally recognized organizations that track and report on insured losses resulting from catastrophic events, such as Property Claim Services (PCS) for events in the United States and Canada. Catastrophes can be caused by various natural events, including, among others, hurricanes, tornadoes and other windstorms, earthquakes, hail, wildfires, severe winter weather, floods, tsunamis, volcanic eruptions and other naturally-occurring events, such as solar flares. Catastrophes can also be man-made, such as terrorist attacks and other intentionally destructive acts including those involving nuclear, biological, chemical or radiological events, cyber-attacks, explosions and infrastructure failures. Each catastrophe has unique characteristics and catastrophes are not predictable as to timing or amount. Their effects are included in net and core income and claims and claim adjustment expense reserves upon occurrence. A catastrophe may result in the payment of reinsurance reinstatement premiums and assessments from various pools. The Company's threshold for disclosing catastrophes is primarily determined at the reportable segment level. If a threshold for one segment or a combination thereof is exceeded and the other segments have losses from the same event, losses from the event are identified as catastrophe losses in the segment results and for the consolidated results of the Company. Additionally, an aggregate threshold is applied for International business across all reportable segments. The threshold for 2018 ranges from approximately \$18 million to \$30 million of losses before reinsurance and taxes.

Net favorable (unfavorable) prior year loss reserve development is the increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims, which may be related to one or more prior years. In the opinion of the Company's management, a discussion of loss reserve development is meaningful to users of the financial statements as it allows them to assess the impact between prior and current year development on incurred claims and claim adjustment expenses, net and core income (loss), and changes in claims and claim adjustment expense reserve levels from period to period.

Combined ratio For Statutory Accounting Practices (SAP), the combined ratio is the sum of the SAP loss and LAE ratio and the SAP underwriting expense ratio as defined in the statutory financial statements required by insurance regulators. The combined ratio, as used in this financial supplement, is the equivalent of, and is calculated in the same manner as, the SAP combined ratio except that the SAP underwriting expense ratio is based on net *written* premium and the underwriting expense ratio as used in this financial supplement is based on net *earned* premiums. For SAP, the loss and LAE ratio is the ratio of incurred losses and loss adjustment expenses less certain administrative services fee income to net earned premiums as defined in the statutory financial statements required by insurance regulators. The loss and LAE ratio as used in this financial supplement is calculated in the same manner as the SAP ratio. For SAP, the underwriting expense ratio is the ratio of underwriting expenses incurred (including commissions paid), less certain administrative services fee income and billing and policy fees, to net *written* premiums as defined in the statutory financial statements required by insurance regulators. The underwriting expense ratio as used in this financial supplement, is the ratio of underwriting expenses (including the amortization of deferred acquisition costs), less certain administrative services fee income and billing and policy fees, to net *earned* premiums. **Underlying combined ratio** is the combined ratio adjusted to exclude the impact of prior year reserve development and catastrophes, net of reinsurance.

The combined ratio, loss and LAE ratio, and underwriting expense ratio are used as indicators of the Company's underwriting discipline, efficiency in acquiring and servicing its business and overall underwriting profitability. A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

Other companies' method of computing similarly titled measures may not be comparable to the Company's method of computing these ratios.

Gross written premiums reflect the direct and assumed contractually determined amounts charged to policyholders for the effective period of the contract based on the terms and conditions of the insurance contract. **Net written premiums** reflect gross written premiums less premiums ceded to reinsurers.

Book value per share is total common shareholders' equity divided by the number of common shares outstanding. **Adjusted book value per share** is total common shareholders' equity excluding net unrealized investment gains and losses, net of tax, included in shareholders' equity divided by the number of common shares outstanding. In the opinion of the Company's management, adjusted book value per share is useful in an analysis of a property casualty company's book value per share as it removes the effect of changing prices on invested assets, (i.e., net unrealized investment gains (losses), net of tax) which do not have an equivalent impact on unpaid claims and claim adjustment expense reserves.

Total capital is the sum of total shareholders' equity and debt. **Debt-to-capital ratio excluding net unrealized gain (loss) on investments, net of tax, included in shareholders' equity**, is the ratio of debt to total capital excluding net unrealized investment gains and losses, net of tax, included in shareholders' equity. In the opinion of the Company's management, the debt to capital ratio is useful in an analysis of the Company's financial leverage.

Statutory capital and surplus represents the excess of an insurance company's admitted assets over its liabilities, including loss reserves, as determined in accordance with statutory accounting practices.

Travelers has organized its businesses into the following reportable business segments:

Business Insurance - Business Insurance offers a broad array of property and casualty insurance and insurance related services to its customers, primarily in the United States, as well as in Canada, the United Kingdom, the Republic of Ireland, Brazil and throughout other parts of the world as a corporate member of Lloyd's. Business Insurance is organized as follows: Select Accounts; Middle Market including Commercial Accounts, Construction, Technology, Public Sector Services, Oil & Gas, Excess Casualty, Inland Marine, Ocean Marine, and Boiler & Machinery; National Accounts; National Property and Other including National Property, Northland Transportation, Northfield, National Programs, and Agribusiness; and International including Global Services. Business Insurance also includes Simply Business, as well as Business Insurance Other, which comprises the Special Liability Group (which manages the Company's asbestos and environmental liabilities) and the assumed reinsurance and certain other runoff operations.

Bond & Specialty Insurance - Bond & Specialty Insurance provides surety, fidelity, management liability, professional liability, and other property and casualty coverages and related risk management services to its customers in the United States, and certain specialty insurance products in Canada, the United Kingdom, the Republic of Ireland and Brazil, utilizing various degrees of financially-based underwriting approaches. The range of coverages includes performance, payment and commercial surety and fidelity bonds for construction and general commercial enterprises; management liability coverages including directors' and officers' liability, employee dishonesty, employment practices liability, fiduciary liability and cyber risk for public corporations, private companies, not-for-profit organizations and financial institutions; professional liability coverage for a variety of professionals including, among others, lawyers and design professionals; and in the United States only, property, workers' compensation, auto and general liability for financial institutions.

Bond & Specialty Insurance surety business in Brazil and Colombia is conducted through J. Malucelli Participações em Seguros e Resseguros S.A. (JMalucelli) and J. Malucelli Latam S.A. in Brazil. The Company owns 49.5% of both JMalucelli, a market leader in surety coverages in Brazil, and J. Malucelli Latam S.A., which in September 2015 acquired a majority interest in JMalucelli Travelers Seguros S.A., a Colombian start-up surety provider. These joint venture investments are accounted for using the equity method and are included in "other investments" on the consolidated balance sheet.

Personal Insurance - Personal Insurance writes a broad range of property and casualty insurance covering individuals' personal risks, primarily in the United States, as well as in Canada. The primary products of automobile and homeowners insurance are complemented by a broad suite of related coverages.