

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 21, 2020**

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 10017**

(Address of principal executive offices) (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))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, without par value	TRV	New York Stock Exchange

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 21, 2020, The Travelers Companies, Inc. (the “Company”) issued a press release announcing the results of the Company’s operations for the quarter ended March 31, 2020, 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	<u>Press Release, dated April 21, 2020, reporting results of operations (This exhibit is furnished and not filed.)</u>
99.2	<u>First Quarter 2020 Financial Supplement of The Travelers Companies, Inc. (This exhibit is furnished and not filed.)</u>
101.1	Pursuant to Rule 406 of Regulation S-T, the cover page to this Current Report on Form 8-K is formatted in Inline XBRL.
104.1	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101.1.)

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 21, 2020 By: /s/ CHRISTINE K. KALLA

Name: Christine K. Kalla
Executive Vice President and General Counsel

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

Section 2: EX-99.1 (EXHIBIT 99.1)



485 Lexington Avenue
New York, NY 10017-2630
www.travelers.com

NYSE: TRV

Travelers Reports First Quarter 2020 Net Income per Diluted Share of \$2.33 and Return on Equity of 9.4%

First Quarter 2020 Core Income per Diluted Share of \$2.62 and Core Return on Equity of 11.5%

- First quarter net income of \$600 million and core income of \$676 million.
- Catastrophe losses of \$333 million pre-tax compared to \$193 million pre-tax in the prior year quarter.
- COVID-19-related net charges of \$86 million pre-tax (\$68 million after-tax) included in underwriting gain.
- Consolidated combined ratio of 95.5%; underlying combined ratio of 91.3%.
- Net written premiums of \$7.346 billion, up 4%; reflecting growth in all segments.
- Total capital returned to shareholders of \$681 million, including \$471 million of share repurchases.
- Book value per share of \$99.69; adjusted book value per share of \$92.63.
- Board of Directors declares regular quarterly cash dividend of \$0.85 per share, an increase of 4%.

New York, April 21, 2020 — The Travelers Companies, Inc. today reported net income of \$600 million, or \$2.33 per diluted share, for the quarter ended March 31, 2020, compared to \$796 million, or \$2.99 per diluted share, in the prior year quarter. Core income in the current quarter was \$676 million, or \$2.62 per diluted share, compared to \$755 million, or \$2.83 per diluted share, in the prior year quarter. Core income decreased primarily due to higher catastrophe losses, partially offset by a higher underlying underwriting gain (i.e., excluding net prior year reserve development and catastrophe losses). The improved underlying underwriting gain was adversely impacted by net charges of \$86 million pre-tax (\$68 million after-tax) associated with COVID-19 and related economic conditions. Net realized investment losses in the current quarter were \$(98) million pre-tax (\$(76) million after-tax), driven by the mark-to-market impact on the Company's equity investments caused by the recent disruption in global financial markets, compared to net realized investment gains of \$53 million pre-tax (\$41 million after-tax) in the prior year quarter. Per diluted share amounts benefited from the impact of share repurchases.

Consolidated Highlights

(\$ in millions, except for per share amounts, and after-tax, except for premiums and revenues)	Three Months Ended March 31,		
	2020	2019	Change
Net written premiums	\$ 7,346	\$ 7,057	4 %

Total revenues	\$ 7,908	\$ 7,671	3
Net income	\$ 600	\$ 796	(25)
<i>per diluted share</i>	<i>\$ 2.33</i>	<i>\$ 2.99</i>	<i>(22)</i>
Core income	\$ 676	\$ 755	(10)
<i>per diluted share</i>	<i>\$ 2.62</i>	<i>\$ 2.83</i>	<i>(7)</i>
Diluted weighted average shares outstanding	255.9	264.8	(3)
Combined ratio	95.5%	93.7%	1.8 pts
Underlying combined ratio	91.3%	91.6%	(0.3) pts
Return on equity	9.4%	13.5%	(4.1) pts
Core return on equity	11.5%	13.0%	(1.5) pts

	As of		Change
	March 31, 2020	December 31, 2019	
Book value per share	\$ 99.69	\$ 101.55	(2)%
Adjusted book value per share	92.63	92.76	— %

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

“The events of the last few months have been challenging, and our hearts go out to all those affected by the COVID-19 global pandemic,” said Alan Schnitzer, Chairman and Chief Executive Officer. “We appreciate the thoughtful actions taken by our government leaders, at all levels, to support individuals and businesses. In addition, we would like to extend our deep gratitude for the heroic efforts of healthcare workers and first responders, as well as the contributions from food, delivery and all other essential workers. I would also like to acknowledge and thank my 30,000 colleagues for their exceptional response to this crisis. Due to their commitment, resourcefulness and compassion, we have continued to seamlessly serve our customers, agent and broker partners and communities. As a company, we are grateful that we are in a position to support those impacted by COVID-19, including through customer billing relief, our Stay-at-Home Auto Premium Credit Program, our Distribution Support Plan accelerating the payment of more than \$100 million of commissions for agents and brokers and a direct \$5 million pledge to assist hard hit families and communities. In addition, consistent with 16 consecutive years of dividend increases and as a reflection of confidence in our business, our Board of Directors declared a 4% increase in our quarterly dividend to \$0.85 per share. This dividend payment will put much-needed cash into the hands of millions of individuals who own our shares directly and indirectly through their investments in mutual funds, 401(k) plans and other retirement accounts.

“Turning to our financial results for the first quarter, core income was \$676 million, and core return on equity was 11.5%. Underlying underwriting income in the quarter was higher than in the prior year period, benefiting from record first quarter net earned premium of \$7.2 billion and an underlying combined ratio which improved to 91.3%. These strong underlying results, which included the impact of charges related to the COVID-19 pandemic, were more than offset by higher catastrophe losses. Our high-quality investment portfolio generated net investment income of \$519 million after-tax. These results, along with our strong balance sheet, enabled us to return \$681 million of excess capital to our shareholders this quarter, including \$471 million of share repurchases.

“We grew net written premiums by 4% in the quarter to more than \$7.3 billion, with all segments contributing. In Business Insurance, renewal premium change was 7.8%, including renewal rate change of 6.2%, while retention remained very strong. In Bond & Specialty Insurance, net written premiums increased by 13%, reflecting strong production across our Management Liability and Surety businesses. In Personal Insurance, net written premiums increased by 8%, with Agency Homeowners up 18% and Agency Auto up 3%, with both lines benefiting from strong production.

“Although there are many uncertainties surrounding COVID-19’s impact on our global economy and on us, it has been in the most challenging circumstances that the strength of our AA-rated franchise and the value we provide to all of our stakeholders shine through. Our balance sheet is extremely strong, our debt-to-capital ratio is comfortably within our target range, our holding company liquidity of \$1.6 billion is well above our target level and we have a very high-quality investment portfolio. We have the talent, technology, risk management processes and procedures, and, importantly, financial strength to manage through these extraordinary times and to continue to deliver meaningful shareholder value over time.”

Consolidated Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2020	2019	Change
Underwriting gain:	\$ 288	\$ 395	\$ (107)
<i>Underwriting gain includes:</i>			
Net favorable prior year reserve development	27	51	(24)
Catastrophes, net of reinsurance	(333)	(193)	(140)
Net investment income	611	582	29
Other income (expense), including interest expense	(81)	(63)	(18)
Core income before income taxes	818	914	(96)
Income tax expense	142	159	(17)
Core income	676	755	(79)
Net realized investment gains (losses) after income taxes	(76)	41	(117)
Net income	\$ 600	\$ 796	\$ (196)
Combined ratio	95.5 %	93.7 %	1.8 pts
<i>Impact on combined ratio</i>			
Net favorable prior year reserve development	(0.4) pts	(0.7) pts	0.3 pts
Catastrophes, net of reinsurance	4.6 pts	2.8 pts	1.8 pts
Underlying combined ratio	91.3 %	91.6 %	(0.3) pts
Net written premiums			
Business Insurance	\$ 4,190	\$ 4,163	1 %
Bond & Specialty Insurance	663	587	13
Personal Insurance	2,493	2,307	8
Total	\$ 7,346	\$ 7,057	4 %

First Quarter 2020 Results

(All comparisons vs. first quarter 2019, unless noted otherwise)

Net income of \$600 million decreased \$196 million due to net realized investment losses in the current quarter compared to net realized investment gains in the prior year quarter and lower core income. Core income of \$676 million decreased \$79 million, primarily due to higher catastrophe losses, partially offset by a higher underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes but was adversely impacted by net charges of \$86 million pre-tax (\$68 million after-tax) associated with COVID-19 and related economic conditions. Net realized investment losses were driven by the impact of changes in fair value on the Company's equity investments attributable to the recent disruption in global financial markets.

Combined ratio:

- The combined ratio of 95.5% increased 1.8 points due to higher catastrophe losses (1.8 points) and lower net favorable prior year reserve development (0.3 points), partially offset by a lower underlying combined ratio (0.3 points).
- The underlying combined ratio of 91.3% decreased 0.3 points. See below for further details by segment.
- Catastrophe losses included tornado activity in Tennessee, as well as other wind storms and winter storms in several regions of the United States.

Net investment income of \$611 million pre-tax (\$519 million after-tax) increased 5%. Income from the fixed income investment portfolio was level with the prior year quarter, as the benefit from a higher average level of fixed maturity investments was offset by the impact of lower long-term interest rates. Net investment income from the non-fixed income investment portfolio increased over the prior year quarter, primarily due to higher private equity partnership returns. Included in non-fixed income investments are private equity partnerships, hedge funds and real estate partnerships that are accounted for under the equity method of accounting and typically report their financial statement information one to three months following the end of the reporting period. Accordingly, the adverse impact of the disruption in global financial markets during the first quarter of 2020 on those investments is not reflected in the

Company's results for the first quarter of 2020 and will be reflected in the Company's results for the second quarter of 2020 on a lagged basis.

Net written premiums of \$7.346 billion increased 4%. See below for further details by segment.

Shareholders' Equity

Shareholders' equity of \$25.204 billion decreased 3% from year-end 2019, primarily due to lower net unrealized investment gains resulting from higher interest rates and the impact of changes in foreign currency exchange rates, in both cases attributable to the recent disruption in global financial markets. Net unrealized investment gains included in shareholders' equity were \$2.273 billion pre-tax (\$1.785 billion after-tax), compared to net unrealized investment gains of \$2.853 billion pre-tax (\$2.246 billion after-tax) at year-end 2019. Book value per share of \$99.69 decreased 2% from year-end 2019, also primarily due to the impacts of higher interest rates on net unrealized investment gains and changes in foreign currency exchange rates. Adjusted book value per share of \$92.63, which excludes net unrealized investment gains, was comparable with year-end 2019. Book value per share and adjusted book value per share both included an adverse impact of \$0.97 due to net unrealized losses resulting from foreign currency translation.

The Company repurchased 3.8 million shares during the first quarter at an average price of \$124.20 per share for a total cost of \$471 million. Capacity remaining under the existing share repurchase authorization was \$1.361 billion at the end of the quarter. Also at the end of the quarter, statutory capital and surplus was \$20.808 billion, and the ratio of debt-to-capital was 20.6%. The ratio of debt-to-capital excluding after-tax net unrealized investment gains included in shareholders' equity was 21.9%, within the Company's target range of 15% to 25%.

The Board of Directors declared a regular quarterly dividend of \$0.85 per share, an increase of 4%. The dividend is payable on June 30, 2020, to shareholders of record at the close of business on June 10, 2020.

Business Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2020	2019	Change
Underwriting gain (loss):	\$ (99)	\$ 57	\$ (156)
<i>Underwriting gain (loss) includes:</i>			
<i>Net favorable (unfavorable) prior year reserve development</i>	5	(21)	26
<i>Catastrophes, net of reinsurance</i>	(195)	(95)	(100)
Net investment income	453	427	26
Other income (expense)	(16)	5	(21)
Segment income before income taxes	338	489	(151)
Income tax expense	49	75	(26)
Segment income	\$ 289	\$ 414	\$ (125)
Combined ratio	102.2 %	98.1%	4.1 pts
<i>Impact on combined ratio</i>			
Net (favorable) unfavorable prior year reserve development	(0.1) pts	0.6 pts	(0.7) pts
Catastrophes, net of reinsurance	5.0 pts	2.5 pts	2.5 pts
Underlying combined ratio	97.3 %	95.0%	2.3 pts
Net written premiums by market			
Domestic			
Select Accounts	\$ 799	\$ 785	2 %
Middle Market	2,408	2,410	—
National Accounts	301	304	(1)
National Property and Other	428	387	11
Total Domestic	3,936	3,886	1
International	254	277	(8)
Total	\$ 4,190	\$ 4,163	1 %

First Quarter 2020 Results

(All comparisons vs. first quarter 2019, unless noted otherwise)

Segment income for Business Insurance was \$289 million after-tax, a decrease of \$125 million. Segment income decreased primarily due to higher catastrophe losses and a lower underlying underwriting gain, partially offset by net favorable prior year reserve development in the current quarter compared to net unfavorable prior year reserve development in the prior year quarter and higher net investment income. The underlying underwriting gain benefited from higher business volumes, but was adversely impacted by charges associated with COVID-19 and related economic conditions.

Combined ratio:

- The combined ratio of 102.2% increased 4.1 points due to higher catastrophe losses (2.5 points) and a higher underlying combined ratio (2.3 points), partially offset by net favorable prior year reserve development in the current quarter compared to net unfavorable prior year reserve development in the prior year quarter (0.7 points).
- The underlying combined ratio of 97.3% increased 2.3 points, primarily driven by charges associated with COVID-19 and related economic conditions.
- Net favorable prior year reserve development was primarily driven by the following:
 - *Workers' compensation* — better than expected loss experience in the segment's domestic operations for multiple accident years; and
 - *Commercial property* — better than expected loss experience in the segment's domestic operations for multiple accident years.

Largely offset by:

- *Commercial automobile* — higher than expected loss experience in the segment's domestic operations for recent accident years.

Net written premiums of \$4.190 billion increased 1%.

Bond & Specialty Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2020	2019	Change
Underwriting gain:	\$ 92	\$ 112	\$ (20)
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	—	3	(3)
<i>Catastrophes, net of reinsurance</i>	(1)	(3)	2
Net investment income	55	56	(1)
Other income	4	5	(1)
Segment income before income taxes	151	173	(22)
Income tax expense	29	35	(6)
Segment income	\$ 122	\$ 138	\$ (16)
Combined ratio	85.9%	81.1 %	4.8 pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	— pts	(0.5) pts	0.5 pts
<i>Catastrophes, net of reinsurance</i>	0.2 pts	0.5 pts	(0.3) pts
Underlying combined ratio	85.7%	81.1 %	4.6 pts
Net written premiums			
Domestic			
Management Liability	\$ 401	\$ 367	9 %
Surety	215	184	17
Total Domestic	616	551	12
International	47	36	31
Total	\$ 663	\$ 587	13 %

First Quarter 2020 Results

(All comparisons vs. first quarter 2019, unless noted otherwise)

Segment income for Bond & Specialty Insurance was \$122 million after-tax, a decrease of \$16 million. Segment income decreased primarily due to a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes but was adversely impacted by charges associated with COVID-19 and related economic conditions.

Combined ratio:

- The combined ratio of 85.9% increased 4.8 points due to a higher underlying combined ratio (4.6 points) and lower net favorable prior year reserve development (0.5 points), partially offset by lower catastrophe losses (0.3 points).
- The underlying combined ratio remained very strong at 85.7%. The increase of 4.6 points over the prior year quarter was primarily driven by the impacts of higher loss estimates for management liability coverages, primarily due to the impact of COVID-19 and related economic conditions.

Net written premiums of \$663 million increased 13%, reflecting continued strong retention, increased levels of renewal premium change, strong new business in management liability and continued strong production in surety.

Personal Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended March 31,		
	2020	2019	Change
Underwriting gain:	\$ 295	\$ 226	\$ 69
<i>Underwriting gain includes:</i>			
Net favorable prior year reserve development	22	69	(47)
Catastrophes, net of reinsurance	(137)	(95)	(42)
Net investment income	103	99	4
Other income	22	22	—
Segment income before income taxes	420	347	73
Income tax expense	84	69	15
Segment income	\$ 336	\$ 278	\$ 58
Combined ratio	88.2 %	90.1 %	(1.9) pts
<i>Impact on combined ratio</i>			
Net favorable prior year reserve development	(0.8) pts	(2.8) pts	2.0 pts
Catastrophes, net of reinsurance	5.0 pts	3.8 pts	1.2 pts
Underlying combined ratio	84.0 %	89.1 %	(5.1) pts
Net written premiums			
Domestic			
Agency (1)			
Automobile	\$ 1,260	\$ 1,224	3 %
Homeowners and Other	990	837	18
Total Agency	2,250	2,061	9
Direct-to-Consumer	100	95	5
Total Domestic	2,350	2,156	9
International	143	151	(5)
Total	\$ 2,493	\$ 2,307	8 %

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

First Quarter 2020 Results

(All comparisons vs. first quarter 2019, unless noted otherwise)

Segment income for Personal Insurance was \$336 million after-tax, an increase of \$58 million. Segment income increased primarily due to a higher underlying underwriting gain, partially offset by lower net favorable prior year reserve development and higher catastrophe losses. The underlying underwriting gain benefited from higher business volumes. The net impact of COVID-19 and related economic conditions was not significant.

Combined ratio:

- The combined ratio of 88.2% decreased 1.9 points due to a lower underlying combined ratio (5.1 points), partially offset by lower net favorable prior year reserve development (2.0 points) and higher catastrophe losses (1.2 points).
- The underlying combined ratio of 84.0% decreased 5.1 points, primarily reflecting the impacts of lower non-catastrophe weather-related losses in Agency Homeowners and Other and lower losses in Agency Automobile.
- Net favorable prior year reserve development was driven by better than expected loss experience in the segment's domestic operations in both the automobile and homeowners and other product lines for multiple accident years.

Net written premiums of \$2.493 billion increased 8%. Agency Automobile net written premiums increased 3%, driven by strong retention, renewal premium change of 2% and higher levels of new business. Agency Homeowners and Other net written premiums increased 18%, driven by strong retention, renewal premium change of 8% and higher levels of new business.

Financial Supplement and Conference Call

The information in this press release should be read in conjunction with the 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 21, 2020. Investors can access the call via webcast at <http://investor.travelers.com> or by dialing 1.844.895.1976 within the United States and 1.647.689.5389 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.

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 \$32 billion in 2019. 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 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 and the Republic of Ireland, as well as Brazil through a joint venture, 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, renewal premium changes, underwriting margins and underlying underwriting 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 and underlying combined ratios);
- the impact of COVID-19 and related economic conditions, including the Company's assessment of the vulnerability of certain categories of investments to the economic disruptions associated with COVID-19;
- 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 potential benefit associated with the Company's ability to recover on its subrogation claims;
- the cost and availability of reinsurance coverage;
- catastrophe losses;
- the impact of investment (including changes in interest rates), economic (including inflation, changes in tax law, 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;
- the impact of new or potential regulations imposed or to be imposed by the United States or other nations, including tariffs or other barriers to international trade; and
- the impact of developments in the tort environment, such as increased attorney involvement in insurance claims and legislation allowing victims of sexual abuse to file or proceed with claims that otherwise would have been time-barred.

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:

- high levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas, 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/tort, regulatory and economic environments in which the Company operates or the impacts of COVID-19, the Company's financial results could be materially and adversely affected;
- the impact of COVID-19 and related risks, including on the Company's distribution or other key partners, could materially affect the Company's results of operations, financial position and/or liquidity;
- during or following a period of financial market disruption or an economic downturn, such as the current environment, the Company's business could be materially and adversely affected;
- the Company's investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses, particularly in the current environment;
- 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;
- the Company's business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- 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, and court decisions or legislative or regulatory changes that take place after the Company issues its policies, including those taken in response to COVID-19 (such as effectively expanding workers' compensation coverage by instituting presumptions of compensability of claims for certain types of workers or requiring insurers to cover business interruption claims irrespective of terms, exclusions or other conditions included in the policies that would otherwise preclude coverage), can result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results of operations;
- 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 the Company is exposed to credit risk related to its structured settlements;
- the Company is exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that it has with third parties, which risk is heightened in the current environment;

- 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 its 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. This risk is heightened in the current environment where a majority of the Company's employees have shifted to a work from home arrangement;
- the Company is also subject to a number of additional risks associated with its business outside the United States, such as foreign currency exchange fluctuations (including with respect to the valuation of the Company's foreign investments and interests in joint ventures) 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, the Republic of Ireland 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, changes in levels of written premiums, 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, including the level of uncertainty related to COVID-19.

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 the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on April 21, 2020, and in our most recent annual report on Form 10-K filed with the SEC on February 13, 2020, in each case 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, to establish performance targets on a consolidated basis and for other reasons as discussed below. 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.

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,	
	2020	2019
Net income	\$ 600	\$ 796
Less: Net realized investment (gains) losses	76	(41)
Core income	\$ 676	\$ 755

(\$ in millions, pre-tax)	Three Months Ended March 31,	
	2020	2019
Net income	\$ 720	\$ 967
Less: Net realized investment (gains) losses	98	(53)
Core income	\$ 818	\$ 914

	Twelve Months Ended December 31,														
(\$ in millions, after-tax)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net income	\$2,622	\$2,523	\$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	2,622	2,523	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	(85)	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment (1)	—	—	129	—	—	—	—	—	—	—	—	—	—	—	—
Core income	2,537	2,430	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	\$2,537	\$2,430	\$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,	
	2020	2019
Basic income per share		
Net income	\$ 2.34	\$ 3.01
Adjustments:		
Net realized investment (gains) losses, after-tax	0.30	(0.16)
Core income	\$ 2.64	\$ 2.85
Diluted income per share		
Net income	\$ 2.33	\$ 2.99
Adjustments:		
Net realized investment (gains) losses, after-tax	0.29	(0.16)
Core income	\$ 2.62	\$ 2.83

Reconciliation of Segment Income to Total Core Income

	Three Months Ended March 31,	
(\$ in millions, after-tax)	2020	2019
Business Insurance	\$ 289	\$ 414
Bond & Specialty Insurance	122	138
Personal Insurance	336	278
Total segment income	747	830
Interest Expense and Other	(71)	(75)
Total core income	\$ 676	\$ 755

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

	As of March 31,	
(\$ in millions)	2020	2019
Shareholders' equity	\$ 25,204	\$ 24,340
Adjustments:		
Net unrealized investment gains, net of tax, included in shareholders' equity	(1,785)	(1,007)
Net realized investment (gains) losses, net of tax	76	(41)

As of December 31,															
(\$ in millions)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Shareholders' equity	\$25,943	\$22,894	\$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	(2,246)	113	(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	(85)	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment	—	—	287	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock	—	—	—	—	—	—	—	—	—	(68)	(79)	(89)	(112)	(129)	(153)
Loss from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	439
Adjusted shareholders' equity	\$23,612	\$22,914	\$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

Return on equity is the ratio of annualized net income (loss) less preferred dividends to average shareholders' equity for the periods presented. **Core return on equity** is the ratio of annualized core income (loss) 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 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.

Calculation of Return on Equity and Core Return on Equity

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2020	2019
Annualized net income	\$ 2,398	\$ 3,186
Average shareholders' equity	25,574	23,617
Return on equity	9.4%	13.5%
Annualized core income	\$ 2,702	\$ 3,020
Adjusted average shareholders' equity	23,596	23,150
Core return on equity	11.5%	13.0%

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, 2020

(\$ in millions)	Three Months Ended March 31,	
	2020	2019
Core income, less preferred dividends	\$ 676	\$ 755
Annualized core income	2,702	3,020
Adjusted average shareholders' equity	23,596	23,150
Core return on equity	11.5%	13.0%
Average annual core return on equity for the period January 1, 2005 through March 31, 2020	12.8%	

(\$ in millions)	Twelve Months Ended December 31,														
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Core income, less preferred dividends	\$2,537	\$2,430	\$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
Adjusted average shareholders' equity	23,335	22,814	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	10.9%	10.7%	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%

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 (unfavorable) 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 and radiological events, cyber events, explosions and destruction of infrastructure. 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 2020 ranges from approximately \$20 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,	
	2020	2019
Pre-tax underwriting gain excluding the impact of catastrophes and net prior year loss reserve development	\$ 594	\$ 537
Pre-tax impact of catastrophes	(333)	(193)
Pre-tax impact of net favorable prior year loss reserve development	27	51
Pre-tax underwriting gain	288	395
Income tax expense on underwriting results	68	88
Underwriting gain	220	307
Net investment income	519	496
Other income (expense), including interest expense	(63)	(48)
Core income	676	755
Net realized investment gains (losses)	(76)	41
Net income	\$ 600	\$ 796

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 and other, 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	
	2020	2019
Loss and loss adjustment expense ratio		
Claims and claim adjustment expenses	\$ 4,789	\$ 4,442
Less:		
Policyholder dividends	12	13
Allocated fee income	41	40
Loss ratio numerator	\$ 4,736	\$ 4,389
Underwriting expense ratio		
Amortization of deferred acquisition costs	\$ 1,178	\$ 1,117
General and administrative expenses (G&A)	1,137	1,057
Less:		
Non-insurance G&A	55	47
Allocated fee income	67	69
Billing and policy fees and other	28	27
Expense ratio numerator	\$ 2,165	\$ 2,031
Earned premium	\$ 7,229	\$ 6,855
Combined ratio (1)		
Loss and loss adjustment expense ratio	65.5%	64.0%
Underwriting expense ratio	30.0%	29.7%
Combined ratio	95.5%	93.7%

(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

	As of	
	March 31, 2020	December 31, 2019
(\$ in millions, except per share amounts)		
Shareholders' equity	\$ 25,204	\$ 25,943
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	1,785	2,246
Shareholders' equity, excluding net unrealized investment gains, net of tax, included in shareholders' equity	23,419	23,697
Less:		
Goodwill	3,915	3,961
Other intangible assets	322	330
Impact of deferred tax on other intangible assets	(47)	(51)
Tangible shareholders' equity	\$ 19,229	\$ 19,457
Common shares outstanding	252.8	255.5
Book value per share	\$ 99.69	\$ 101.55
Adjusted book value per share	92.63	92.76
Tangible book value per share	76.06	76.17

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.

	As of	
	March 31, 2020	December 31, 2019
(\$ in millions)		
Debt	\$ 6,559	\$ 6,558
Shareholders' equity	25,204	25,943
Total capitalization	31,763	32,501
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	1,785	2,246
Total capitalization excluding net unrealized gain on investments, net of tax, included in shareholders' equity	\$ 29,978	\$ 30,255
Debt-to-capital ratio	20.6%	20.2%
Debt-to-capital ratio excluding net unrealized investment gains, net of tax, included in shareholders' equity	21.9%	21.7%

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. For Bond & Specialty Insurance, retention, renewal

premium change and new business exclude surety and other products that are generally sold on a non-recurring, project specific basis.

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 13, 2020, and subsequent periodic filings with the SEC.

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Contacts

Media:
Patrick Linehan
917.778.6267

Institutional Investors:
Abbe Goldstein
917.778.6825

18

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

Section 3: EX-99.2 (EXHIBIT 99.2)

The Travelers Companies, Inc.
Financial Supplement - First Quarter 2020



	<u>Page Number</u>
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	16
Segment Income 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	35-36

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 for per share data)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Net income	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Net income per share:					
Basic	\$ 3.01	\$ 2.11	\$ 1.52	\$ 3.37	\$ 2.34
Diluted	\$ 2.99	\$ 2.10	\$ 1.50	\$ 3.35	\$ 2.33
Core income	\$ 755	\$ 537	\$ 378	\$ 867	\$ 676
Core income per share:					
Basic	\$ 2.85	\$ 2.04	\$ 1.45	\$ 3.35	\$ 2.64
Diluted	\$ 2.83	\$ 2.02	\$ 1.43	\$ 3.32	\$ 2.62
Return on equity	13.5%	9.0%	6.2%	13.5%	9.4%
Core return on equity	13.0%	9.2%	6.5%	14.8%	11.5%
Total assets, at period end	\$107,246	\$108,572	\$110,241	\$110,122	\$109,436
Total equity, at period end	\$ 24,340	\$ 25,321	\$ 25,607	\$ 25,943	\$ 25,204
Book value per share, at period end	\$ 92.94	\$ 97.26	\$ 99.21	\$ 101.55	\$ 99.69
Less: Net unrealized investment gains, net of tax	3.85	7.21	9.12	8.79	7.06
Adjusted book value per share, at period end	\$ 89.09	\$ 90.05	\$ 90.09	\$ 92.76	\$ 92.63
Weighted average number of common shares outstanding (basic)	262.9	261.3	259.2	256.8	254.4
Weighted average number of common shares outstanding and common stock equivalents (diluted)	264.8	263.7	261.8	259.0	255.9
Common shares outstanding at period end	261.9	260.3	258.1	255.5	252.8
Common stock dividends declared	\$ 204	\$ 217	\$ 215	\$ 212	\$ 210
Common stock repurchased:					
Under Board of Directors authorization					
Shares	2.9	2.6	2.5	2.8	3.5
Cost	\$ 375	\$ 375	\$ 375	\$ 375	\$ 425
Other					
Shares	0.3	—	—	0.1	0.3
Cost	\$ 46	\$ 1	\$ —	\$ 1	\$ 46

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Reconciliation to Net Income and Earnings per Share



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

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Net income					
Net income	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Adjustments:					
Net realized investment (gains) losses, after-tax	(41)	(20)	(18)	(6)	76
Core income	\$ 755	\$ 537	\$ 378	\$ 867	\$ 676
Basic earnings per share					
Net income	\$ 3.01	\$ 2.11	\$ 1.52	\$ 3.37	\$ 2.34
Adjustments:					
Net realized investment (gains) losses, after-tax	(0.16)	(0.07)	(0.07)	(0.02)	0.30
Core income	\$ 2.85	\$ 2.04	\$ 1.45	\$ 3.35	\$ 2.64
Diluted earnings per share					
Net income	\$ 2.99	\$ 2.10	\$ 1.50	\$ 3.35	\$ 2.33
Adjustments:					
Net realized investment (gains) losses, after-tax	(0.16)	(0.08)	(0.07)	(0.03)	0.29
Core income	\$ 2.83	\$ 2.02	\$ 1.43	\$ 3.32	\$ 2.62

Adjustments to net income and weighted average shares for net income EPS calculations: (1)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Basic and Diluted					
Net income, as reported	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Participating share-based awards - allocated income	(5)	(4)	(3)	(7)	(5)
Net income available to common shareholders - basic and diluted	\$ 791	\$ 553	\$ 393	\$ 866	\$ 595
Common Shares					
Basic					
Weighted average shares outstanding	262.9	261.3	259.2	256.8	254.4
Diluted					
Weighted average shares outstanding	262.9	261.3	259.2	256.8	254.4
Weighted average effects of dilutive securities - stock options and performance shares	1.9	2.4	2.6	2.2	1.5
Diluted weighted average shares outstanding	264.8	263.7	261.8	259.0	255.9

(1) 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 pages 35 and 36.

The Travelers Companies, Inc.
Statement of Income - Consolidated



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Premiums	\$6,855	\$6,988	\$7,179	\$7,250	\$7,229
Net investment income	582	648	622	616	611
Fee income	109	116	121	113	108
Net realized investment gains (losses)	53	25	23	12	(98)
Other revenues	72	57	68	72	58
Total revenues	7,671	7,834	8,013	8,063	7,908
Claims and expenses					
Claims and claim adjustment expenses	4,442	4,821	5,230	4,640	4,789
Amortization of deferred acquisition costs	1,117	1,134	1,169	1,181	1,178
General and administrative expenses	1,057	1,125	1,098	1,085	1,137
Interest expense	88	89	84	83	84
Total claims and expenses	6,704	7,169	7,581	6,989	7,188
Income before income taxes	967	665	432	1,074	720
Income tax expense	171	108	36	201	120
Net income	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Investment impairments					
Total investment impairments	\$ (1)	\$ (1)	\$ —	\$ (1)	\$ (16)
Credit losses recognized in net realized investment gains (losses)	\$ (1)	\$ (1)	\$ —	\$ (2)	\$ (16)
Non-credit losses recognized in other comprehensive income	\$ —	\$ —	\$ —	\$ 1	\$ —
Other statistics					
Effective tax rate on net investment income	14.7%	15.4%	15.2%	14.8%	15.1%
Net investment income (after-tax)	\$ 496	\$ 548	\$ 528	\$ 525	\$ 519
Catastrophes, net of reinsurance:					
Pre-tax	\$ 193	\$ 367	\$ 241	\$ 85	\$ 333
After-tax	\$ 152	\$ 290	\$ 190	\$ 67	\$ 263
Prior year reserve development - favorable (unfavorable):					
Pre-tax	\$ 51	\$ 123	\$ (294)	\$ 60	\$ 27
After-tax	\$ 41	\$ 99	\$ (232)	\$ 45	\$ 21

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Net Income by Major Component and Combined Ratio - Consolidated

(\$ in millions, net of tax)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Underwriting gain (loss)	\$ 307	\$ 52	\$ (101)	\$ 396	\$ 220
Net investment income	496	548	528	525	519
Other income (expense), including interest expense	(48)	(63)	(49)	(54)	(63)
Core income	755	537	378	867	676
Net realized investment gains (losses)	41	20	18	6	(76)
Net income	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Combined ratio (1) (2)					
Loss and loss adjustment expense ratio	64.0 %	68.2 %	72.0%	63.3 %	65.5 %
Underwriting expense ratio	29.7 %	30.2 %	29.5%	29.1 %	30.0 %
Combined ratio	93.7 %	98.4 %	101.5%	92.4 %	95.5 %
Impact on combined ratio:					
Net (favorable) unfavorable prior year reserve development	(0.7)%	(1.8)%	4.1%	(0.8)%	(0.4)%
Catastrophes, net of reinsurance	2.8 %	5.3 %	3.3%	1.1 %	4.6 %
Underlying combined ratio	91.6 %	94.9 %	94.1%	92.1 %	91.3 %

(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:

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Billing and policy fees and other	\$ 27	\$ 26	\$ 28	\$ 27	\$ 28
Fee income:					
Loss and loss adjustment expenses	\$ 40	\$ 45	\$ 47	\$ 42	\$ 41
Underwriting expenses	69	71	74	71	67
Total fee income	\$ 109	\$ 116	\$ 121	\$ 113	\$ 108
Non-insurance general and administrative expenses	\$ 47	\$ 50	\$ 48	\$ 56	\$ 55

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Core Income - Consolidated



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Premiums	\$6,855	\$6,988	\$7,179	\$7,250	\$7,229
Net investment income	582	648	622	616	611
Fee income	109	116	121	113	108
Other revenues	72	57	68	72	58
Total revenues	7,618	7,809	7,990	8,051	8,006
Claims and expenses					
Claims and claim adjustment expenses	4,442	4,821	5,230	4,640	4,789
Amortization of deferred acquisition costs	1,117	1,134	1,169	1,181	1,178
General and administrative expenses	1,057	1,125	1,098	1,085	1,137
Interest expense	88	89	84	83	84
Total claims and expenses	6,704	7,169	7,581	6,989	7,188
Core income before income taxes	914	640	409	1,062	818
Income tax expense	159	103	31	195	142
Core income	\$ 755	\$ 537	\$ 378	\$ 867	\$ 676
Other statistics					
Effective tax rate on net investment income	14.7%	15.4%	15.2%	14.8%	15.1%
Net investment income (after-tax)	\$ 496	\$ 548	\$ 528	\$ 525	\$ 519
Catastrophes, net of reinsurance:					
Pre-tax	\$ 193	\$ 367	\$ 241	\$ 85	\$ 333
After-tax	\$ 152	\$ 290	\$ 190	\$ 67	\$ 263
Prior year reserve development - favorable (unfavorable):					
Pre-tax	\$ 51	\$ 123	\$ (294)	\$ 60	\$ 27
After-tax	\$ 41	\$ 99	\$ (232)	\$ 45	\$ 21

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Selected Statistics - Property and Casualty Operations



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$ 7,839	\$ 7,824	\$ 8,022	\$ 7,378	\$ 8,152
Net written premiums	\$ 7,057	\$ 7,450	\$ 7,569	\$ 7,075	\$ 7,346
Net earned premiums	\$ 6,855	\$ 6,988	\$ 7,179	\$ 7,250	\$ 7,229
Losses and loss adjustment expenses	4,389	4,764	5,166	4,578	4,733
Underwriting expenses	2,116	2,217	2,179	2,072	2,193
Statutory underwriting gain (loss)	350	7	(166)	600	303
Policyholder dividends	13	9	15	10	12
Statutory underwriting gain (loss) after policyholder dividends	\$ 337	\$ (2)	\$ (181)	\$ 590	\$ 291
Other statutory statistics					
Reserves for losses and loss adjustment expenses	\$42,581	\$42,979	\$43,624	\$43,743	\$43,913
Increase in reserves	\$ 172	\$ 398	\$ 645	\$ 119	\$ 170
Statutory capital and surplus	\$21,074	\$21,080	\$20,780	\$21,330	\$20,808
Net written premiums/surplus (1)	1.33:1	1.34:1	1.38:1	1.37:1	1.41:1

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

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Written and Earned Premiums - Property and Casualty Operations

(\$ in millions)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Written premiums					
Gross	\$ 7,839	\$ 7,824	\$ 8,022	\$ 7,378	\$ 8,152
Ceded	(782)	(374)	(453)	(303)	(806)
Net	\$ 7,057	\$ 7,450	\$ 7,569	\$ 7,075	\$ 7,346
Earned premiums					
Gross	\$ 7,282	\$ 7,429	\$ 7,636	\$ 7,723	\$ 7,683
Ceded	(427)	(441)	(457)	(473)	(454)
Net	\$ 6,855	\$ 6,988	\$ 7,179	\$ 7,250	\$ 7,229

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Segment Income - Business Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Premiums	\$3,742	\$3,783	\$3,882	\$3,893	\$3,864
Net investment income	427	481	457	451	453
Fee income	104	111	114	108	102
Other revenues	43	30	39	43	31
Total revenues	4,316	4,405	4,492	4,495	4,450
Claims and expenses					
Claims and claim adjustment expenses	2,580	2,686	3,028	2,669	2,791
Amortization of deferred acquisition costs	615	618	634	636	636
General and administrative expenses	632	686	657	652	685
Total claims and expenses	3,827	3,990	4,319	3,957	4,112
Segment income before income taxes	489	415	173	538	338
Income tax expense (benefit)	75	64	(6)	90	49
Segment income	\$ 414	\$ 351	\$ 179	\$ 448	\$ 289
Other statistics					
Effective tax rate on net investment income	14.6%	15.3%	15.1%	14.8%	15.0%
Net investment income (after-tax)	\$ 365	\$ 407	\$ 389	\$ 384	\$ 385
Catastrophes, net of reinsurance:					
Pre-tax	\$ 95	\$ 211	\$ 116	\$ 48	\$ 195
After-tax	\$ 75	\$ 167	\$ 91	\$ 37	\$ 154
Prior year reserve development - favorable (unfavorable):					
Pre-tax	\$ (21)	\$ 71	\$ (316)	\$ 8	\$ 5
After-tax	\$ (16)	\$ 57	\$ (249)	\$ 5	\$ 3

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Segment Income by Major Component and Combined Ratio - Business Insurance

(\$ in millions, net of tax)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Underwriting gain (loss)	\$ 44	\$ (48)	\$ (210)	\$ 65	\$ (84)
Net investment income	365	407	389	384	385
Other income (expense)	5	(8)	—	(1)	(12)
Segment income	\$ 414	\$ 351	\$ 179	\$ 448	\$ 289
Combined ratio (1) (2)					
Loss and loss adjustment expense ratio	67.6%	69.6 %	76.6%	67.3 %	70.9 %
Underwriting expense ratio	30.5%	31.5 %	30.4%	30.2 %	31.3 %
Combined ratio	98.1%	101.1 %	107.0%	97.5 %	102.2 %
Impact on combined ratio:					
Net (favorable) unfavorable prior year reserve development	0.6%	(1.9)%	8.1%	(0.2)%	(0.1)%
Catastrophes, net of reinsurance	2.5%	5.6 %	3.0%	1.3 %	5.0 %
Underlying combined ratio	95.0%	97.4 %	95.9%	96.4 %	97.3 %

(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:

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Billing and policy fees and other	\$ 4	\$ 3	\$ 5	\$ 4	\$ 4
Fee income:					
Loss and loss adjustment expenses	\$ 40	\$ 45	\$ 47	\$ 42	\$ 41
Underwriting expenses	64	66	67	66	61
Total fee income	\$ 104	\$ 111	\$ 114	\$ 108	\$ 102
Non-insurance general and administrative expenses	\$ 38	\$ 41	\$ 39	\$ 43	\$ 47

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Selected Statistics - Business Insurance



(\$ in millions)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$ 4,730	\$ 4,193	\$ 4,271	\$ 3,957	\$ 4,794
Net written premiums	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$ 4,190
Net earned premiums	\$ 3,742	\$ 3,783	\$ 3,882	\$ 3,893	\$ 3,864
Losses and loss adjustment expenses	2,529	2,631	2,969	2,608	2,737
Underwriting expenses	1,226	1,226	1,164	1,133	1,247
Statutory underwriting gain (loss)	(13)	(74)	(251)	152	(120)
Policyholder dividends	11	7	11	7	10
Statutory underwriting gain (loss) after policyholder dividends	\$ (24)	\$ (81)	\$ (262)	\$ 145	\$ (130)

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Net Written Premiums - Business Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Net written premiums by market					
Domestic					
Select Accounts	\$ 785	\$ 756	\$ 695	\$ 675	\$ 799
Middle Market	2,410	2,009	2,150	2,061	2,408
National Accounts	304	223	273	251	301
National Property and Other	387	588	553	437	428
Total Domestic	3,886	3,576	3,671	3,424	3,936
International	277	298	218	279	254
Total	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$ 4,190
Net written premiums by product line					
Domestic					
Workers' compensation	\$ 1,191	\$ 893	\$ 905	\$ 817	\$ 1,096
Commercial automobile	719	677	674	666	755
Commercial property	389	583	568	474	433
General liability	678	548	611	579	683
Commercial multi-peril	902	871	885	884	956
Other	7	4	28	4	13
Total Domestic	3,886	3,576	3,671	3,424	3,936
International	277	298	218	279	254
Total	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$ 4,190

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Segment Income - Bond & Specialty Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Premiums	\$ 606	\$ 632	\$ 653	\$ 674	\$ 667
Net investment income	56	58	59	60	55
Other revenues	6	6	7	7	5
Total revenues	668	696	719	741	727
Claims and expenses					
Claims and claim adjustment expenses	266	238	303	287	327
Amortization of deferred acquisition costs	112	118	123	125	124
General and administrative expenses	117	120	124	122	125
Total claims and expenses	495	476	550	534	576
Segment income before income taxes	173	220	169	207	151
Income tax expense	35	46	30	40	29
Segment income	\$ 138	\$ 174	\$ 139	\$ 167	\$ 122
Other statistics					
Effective tax rate on net investment income	14.4%	14.8%	14.9%	13.2%	14.7%
Net investment income (after-tax)	\$ 47	\$ 50	\$ 50	\$ 52	\$ 47
Catastrophes, net of reinsurance:					
Pre-tax	\$ 3	\$ —	\$ 1	\$ 1	\$ 1
After-tax	\$ 2	\$ —	\$ 1	\$ 1	\$ 1
Prior year reserve development - favorable:					
Pre-tax	\$ 3	\$ 39	\$ 3	\$ 20	\$ —
After-tax	\$ 2	\$ 31	\$ 2	\$ 16	\$ —

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Segment Income by Major Component and Combined Ratio - Bond & Specialty Insurance

(\$ in millions, net of tax)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Underwriting gain	\$ 86	\$ 120	\$ 85	\$ 111	\$ 72
Net investment income	47	50	50	52	47
Other income	5	4	4	4	3
Segment income	\$ 138	\$ 174	\$ 139	\$ 167	\$ 122
Combined ratio (1)					
Loss and loss adjustment expense ratio	43.5 %	37.4 %	45.7 %	42.4 %	48.8%
Underwriting expense ratio	37.6 %	37.5 %	37.6 %	36.2 %	37.1%
Combined ratio	81.1 %	74.9 %	83.3 %	78.6 %	85.9%
Impact on combined ratio:					
Net favorable prior year reserve development	(0.5)%	(6.2)%	(0.5)%	(2.9)%	—%
Catastrophes, net of reinsurance	0.5 %	0.1 %	0.2 %	0.2 %	0.2%
Underlying combined ratio	81.1 %	81.0 %	83.6 %	81.3 %	85.7%

(1) 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:

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Non-insurance general and administrative expenses	\$ 1	\$ 1	\$ 1	\$ 2	\$ 1

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Selected Statistics - Bond & Specialty Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$ 662	\$ 747	\$ 770	\$ 752	\$ 750
Net written premiums	\$ 587	\$ 710	\$ 728	\$ 714	\$ 663
Net earned premiums	\$ 606	\$ 632	\$ 653	\$ 674	\$ 667
Losses and loss adjustment expenses	264	236	298	286	325
Underwriting expenses	233	251	261	242	254
Statutory underwriting gain	109	145	94	146	88
Policyholder dividends	2	2	4	3	2
Statutory underwriting gain after policyholder dividends	\$ 107	\$ 143	\$ 90	\$ 143	\$ 86

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Net Written Premiums - Bond & Specialty Insurance



(\$ in millions)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Net written premiums by market					
Domestic					
Management Liability	\$ 367	\$ 403	\$ 424	\$ 411	\$ 401
Surety	184	244	232	206	215
Total Domestic	551	647	656	617	616
International	36	63	72	97	47
Total	\$ 587	\$ 710	\$ 728	\$ 714	\$ 663
Net written premiums by product line					
Domestic					
Fidelity & surety	\$ 239	\$ 298	\$ 292	\$ 260	\$ 272
General liability	262	292	293	301	289
Other	50	57	71	56	55
Total Domestic	551	647	656	617	616
International	36	63	72	97	47
Total	\$ 587	\$ 710	\$ 728	\$ 714	\$ 663

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Segment Income - Personal Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Premiums	\$2,507	\$2,573	\$2,644	\$2,683	\$2,698
Net investment income	99	109	106	105	103
Fee income	5	5	7	5	6
Other revenues	22	21	22	22	22
Total revenues	2,633	2,708	2,779	2,815	2,829
Claims and expenses					
Claims and claim adjustment expenses	1,596	1,897	1,899	1,684	1,671
Amortization of deferred acquisition costs	390	398	412	420	418
General and administrative expenses	300	311	309	300	320
Total claims and expenses	2,286	2,606	2,620	2,404	2,409
Segment income before income taxes	347	102	159	411	420
Income tax expense	69	14	28	84	84
Segment income	\$ 278	\$ 88	\$ 131	\$ 327	\$ 336
Other statistics					
Effective tax rate on net investment income	15.4%	16.1%	15.8%	15.6%	15.8%
Net investment income (after-tax)	\$ 84	\$ 91	\$ 89	\$ 89	\$ 87
Catastrophes, net of reinsurance:					
Pre-tax	\$ 95	\$ 156	\$ 124	\$ 36	\$ 137
After-tax	\$ 75	\$ 123	\$ 98	\$ 29	\$ 108
Prior year reserve development - favorable:					
Pre-tax	\$ 69	\$ 13	\$ 19	\$ 32	\$ 22
After-tax	\$ 55	\$ 11	\$ 15	\$ 24	\$ 18

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Segment Income by Major Component and Combined Ratio - Personal Insurance

(\$ in millions, net of tax)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Underwriting gain (loss)	\$ 177	\$ (20)	\$ 24	\$220	\$232
Net investment income	84	91	89	89	87
Other income	17	17	18	18	17
Segment income	\$ 278	\$ 88	\$131	\$327	\$336
Combined ratio (1)					
Loss and loss adjustment expense ratio	63.7 %	73.7 %	71.8 %	62.8 %	61.9 %
Underwriting expense ratio	26.4 %	26.5 %	26.2 %	25.7 %	26.3 %
Combined ratio	90.1 %	100.2 %	98.0 %	88.5 %	88.2 %
<i>Domestic Agency combined ratio</i>	88.9 %	98.8 %	97.2 %	88.2 %	86.9 %
Impact on combined ratio:					
Net favorable prior year reserve development	(2.8)%	(0.5)%	(0.7)%	(1.2)%	(0.8)%
Catastrophes, net of reinsurance	3.8 %	6.1 %	4.7 %	1.3 %	5.0 %
Underlying combined ratio	89.1 %	94.6 %	94.0 %	88.4 %	84.0 %

(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.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Billing and policy fees and other	\$ 23	\$ 23	\$ 23	\$ 23	\$ 24
Fee income	\$ 5	\$ 5	\$ 7	\$ 5	\$ 6

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Selected Statistics - Personal Insurance



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$ 2,447	\$ 2,884	\$ 2,981	\$ 2,669	\$ 2,608
Net written premiums	\$ 2,307	\$ 2,866	\$ 2,952	\$ 2,658	\$ 2,493
Net earned premiums	\$ 2,507	\$ 2,573	\$ 2,644	\$ 2,683	\$ 2,698
Losses and loss adjustment expenses	1,596	1,897	1,899	1,684	1,671
Underwriting expenses	657	740	754	697	692
Statutory underwriting gain (loss)	\$ 254	\$ (64)	\$ (9)	\$ 302	\$ 335
Policies in force (in thousands)					
Automobile	2,981	2,980	2,979	2,973	2,970
Homeowners and Other	5,163	5,263	5,361	5,444	5,534

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Net Written Premiums - Personal Insurance



(\$ in millions)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Net written premiums by market					
Domestic					
Agency					
Automobile	\$ 1,224	\$ 1,300	\$ 1,347	\$ 1,253	\$ 1,260
Homeowners and Other	837	1,258	1,300	1,145	990
Total Agency	2,061	2,558	2,647	2,398	2,250
Direct-to-Consumer	95	103	115	99	100
Total Domestic	2,156	2,661	2,762	2,497	2,350
International	151	205	190	161	143
Total	\$ 2,307	\$ 2,866	\$ 2,952	\$ 2,658	\$ 2,493

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Selected Statistics - Personal Insurance - Domestic Agency Automobile (1)

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$1,240	\$1,304	\$1,352	\$1,258	\$1,272
Net written premiums	\$1,224	\$1,300	\$1,347	\$1,253	\$1,260
Net earned premiums	\$1,228	\$1,249	\$1,271	\$1,276	\$1,279
Losses and loss adjustment expenses	810	876	891	971	842
Underwriting expenses	296	312	310	299	301
Statutory underwriting gain	\$ 122	\$ 61	\$ 70	\$ 6	\$ 136
Other statistics					
Combined ratio (2):					
Loss and loss adjustment expense ratio	66.0 %	70.1 %	70.1 %	76.1 %	65.9 %
Underwriting expense ratio	23.4 %	23.9 %	22.9 %	23.1 %	23.5 %
Combined ratio	89.4 %	94.0 %	93.0 %	99.2 %	89.4 %
Impact on combined ratio:					
Net favorable prior year reserve development	(3.4)%	(1.1)%	(0.5)%	(0.5)%	(0.4)%
Catastrophes, net of reinsurance	0.7 %	1.3 %	0.8 %	0.1 %	0.6 %
Underlying combined ratio	92.1 %	93.8 %	92.7 %	99.6 %	89.2 %
Catastrophe losses, net of reinsurance:					
Pre-tax	\$ 9	\$ 16	\$ 11	\$ 1	\$ 7
After-tax	\$ 7	\$ 13	\$ 8	\$ 1	\$ 6
Prior year reserve development - favorable:					
Pre-tax	\$ 42	\$ 13	\$ 5	\$ 6	\$ 6
After-tax	\$ 33	\$ 10	\$ 5	\$ 4	\$ 5
Policies in force (in thousands)	2,516	2,517	2,524	2,532	2,540
Change from prior year quarter	(0.1)%	— %	0.2 %	0.6 %	1.0 %
Change from prior quarter	(0.1)%	— %	0.3 %	0.3 %	0.3 %

(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.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Billing and policy fees and other	\$ 12	\$ 12	\$ 12	\$ 11	\$ 12
Fee income	\$ 3	\$ 3	\$ 4	\$ 3	\$ 3

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

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

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory underwriting					
Gross written premiums	\$ 954	\$1,268	\$1,316	\$1,147	\$1,086
Net written premiums	\$ 837	\$1,258	\$1,300	\$1,145	\$ 990
Net earned premiums	\$1,011	\$1,050	\$1,089	\$1,125	\$1,145
Losses and loss adjustment expenses	604	801	801	542	642
Underwriting expenses	277	335	349	314	310
Statutory underwriting gain (loss)	\$ 130	\$ (86)	\$ (61)	\$ 269	\$ 193
Other statistics					
Combined ratio (2):					
Loss and loss adjustment expense ratio	59.8 %	76.3 %	73.6 %	48.2 %	56.1 %
Underwriting expense ratio	28.4 %	28.2 %	28.4 %	27.6 %	28.1 %
Combined ratio	88.2 %	104.5 %	102.0 %	75.8 %	84.2 %
Impact on combined ratio:					
Net (favorable) unfavorable prior year reserve development	(2.4)%	(1.3)%	(1.4)%	(0.8)%	(1.5)%
Catastrophes, net of reinsurance	8.0 %	12.9 %	9.9 %	3.0 %	10.8 %
Underlying combined ratio	82.6 %	92.9 %	93.5 %	73.6 %	74.9 %
Catastrophe losses, net of reinsurance:					
Pre-tax	\$ 80	\$ 136	\$ 107	\$ 34	\$ 123
After-tax	\$ 63	\$ 107	\$ 85	\$ 27	\$ 97
Prior year reserve development - favorable (unfavorable):					
Pre-tax	\$ 25	\$ 13	\$ 15	\$ 9	\$ 17
After-tax	\$ 19	\$ 11	\$ 12	\$ 7	\$ 14
Policies in force (in thousands)	4,726	4,825	4,927	5,016	5,111
Change from prior year quarter	6.1 %	6.5 %	7.1 %	7.8 %	8.1 %
Change from prior quarter	1.6 %	2.1 %	2.1 %	1.8 %	1.9 %

(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.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Billing and policy fees and other	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Fee income	\$ 2	\$ 2	\$ 3	\$ 2	\$ 2

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Interest Expense and Other



(\$ in millions)

	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Revenues					
Other revenues	\$ 1	\$ —	\$ —	\$ —	\$ —
Claims and expenses					
Interest expense	88	89	84	83	84
General and administrative expenses	8	8	8	11	7
Total claims and expenses	96	97	92	94	91
Loss before income tax benefit	(95)	(97)	(92)	(94)	(91)
Income tax benefit	(20)	(21)	(21)	(19)	(20)
Loss	\$ (75)	\$ (76)	\$ (71)	\$ (75)	\$ (71)

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

The Travelers Companies, Inc.
Consolidated Balance Sheet



(\$ in millions)	March 31, 2020	December 31, 2019
Assets		
Fixed maturities, available for sale, at fair value (amortized cost \$65,630 and \$65,281; allowance for expected credit losses of \$4 at March 31, 2020)	\$ 67,897	\$ 68,134
Equity securities, at fair value (cost \$372 and \$376)	342	425
Real estate investments	966	963
Short-term securities	4,033	4,943
Other investments	3,412	3,419
Total investments	76,650	77,884
Cash	544	494
Investment income accrued	567	618
Premiums receivable (net of allowance for expected credit losses of \$78 at March 31, 2020)	8,202	7,909
Reinsurance recoverables (net of allowance for estimated uncollectible reinsurance of \$149 at March 31, 2020)	8,152	8,235
Ceded unearned premiums	1,030	689
Deferred acquisition costs	2,298	2,273
Deferred taxes	9	—
Contractholder receivables (net of allowance for expected credit losses of \$20 at March 31, 2020)	4,634	4,599
Goodwill	3,915	3,961
Other intangible assets	322	330
Other assets	3,113	3,130
Total assets	\$ 109,436	\$ 110,122
Liabilities		
Claims and claim adjustment expense reserves	\$ 51,957	\$ 51,849
Unearned premium reserves	14,941	14,604
Contractholder payables	4,654	4,619
Payables for reinsurance premiums	634	363
Deferred taxes	—	137
Debt	6,559	6,558
Other liabilities	5,487	6,049
Total liabilities	84,232	84,179
Shareholders' equity		
Common stock (1,750.0 shares authorized; 252.9 and 255.5 shares issued, 252.8 and 255.5 shares outstanding)	23,542	23,469
Retained earnings	37,325	36,977
Accumulated other comprehensive income (loss)	(49)	640
Treasury stock, at cost (525.9 and 522.1 shares)	(35,614)	(35,143)
Total shareholders' equity	25,204	25,943
Total liabilities and shareholders' equity	\$ 109,436	\$ 110,122

Note: Certain reclassifications have been made to the 2019 consolidated balance sheet to conform to the 2020 presentation.

The Travelers Companies, Inc.
Investment Portfolio



(at carrying value, \$ in millions)	March 31, 2020	Pre-tax Book Yield (1)	December 31, 2019	Pre- tax Book Yield (1)
Investment portfolio				
Taxable fixed maturities (including redeemable preferred stock)	\$ 37,357	3.16%	\$ 38,570	3.17%
Tax-exempt fixed maturities	30,540	3.11%	29,564	3.12%
Total fixed maturities	67,897	3.14%	68,134	3.15%
Non-redeemable preferred stocks	37	5.10%	42	5.04%
Public common stocks	305		383	
Total equity securities	342		425	
Real estate investments	966		963	
Short-term securities	4,033	1.48%	4,943	1.82%
Private equities	2,261		2,236	
Hedge funds	185		186	
Real estate partnerships	682		658	
Other investments	284		339	
Total other investments	3,412		3,419	
Total investments	\$ 76,650		\$ 77,884	
Net unrealized investment gains, net of tax, included in shareholders' equity	\$ 1,785		\$ 2,246	

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

The Travelers Companies, Inc.
Investment Portfolio - Fixed Maturities Data



(at carrying value, \$ in millions)	March 31, 2020	December 31, 2019
Fixed maturities		
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 2,055	\$ 2,095
Obligations of states and political subdivisions:		
Pre-refunded	2,255	2,056
All other	28,753	27,861
Total	31,008	29,917
Debt securities issued by foreign governments	1,040	1,173
Mortgage-backed securities - principally obligations of U.S. Government agencies	3,307	3,280
Corporates (including redeemable preferreds)	30,487	31,669
Total fixed maturities	\$ 67,897	\$ 68,134

**Fixed Maturities
Quality Characteristics (1)**

	March 31, 2020		December 31, 2019	
	Amount	% of Total	Amount	% of Total
Quality Ratings				
Aaa	\$ 29,537	43.5%	\$ 29,164	42.9%
Aa	15,812	23.3	15,819	23.2
A	12,135	17.9	12,148	17.8
Baa	8,964	13.2	9,541	14.0
Total investment grade	66,448	97.9	66,672	97.9
Ba	882	1.3	846	1.2
B	445	0.6	511	0.7
Caa and lower	122	0.2	105	0.2
Total below investment grade	1,449	2.1	1,462	2.1
Total fixed maturities	\$ 67,897	100.0%	\$ 68,134	100.0%
Average weighted quality	Aa2, AA		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	3.9		4.0	

(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.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Gross investment income					
Fixed maturities	\$ 511	\$ 514	\$ 520	\$ 525	\$ 511
Short-term securities	28	27	26	24	22
Other	53	118	85	77	88
	592	659	631	626	621
Investment expenses	10	11	9	10	10
Net investment income, pre-tax	582	648	622	616	611
Income taxes	86	100	94	91	92
Net investment income, after-tax	\$ 496	\$ 548	\$ 528	\$ 525	\$ 519
Effective tax rate	14.7%	15.4%	15.2%	14.8%	15.1%
Average invested assets (1)	\$74,040	\$74,370	\$74,910	\$75,996	\$76,191
Average yield pre-tax (1)	3.1%	3.5%	3.3%	3.2%	3.2%
Average yield after-tax	2.7%	2.9%	2.8%	2.8%	2.7%

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

The Travelers Companies, Inc.

Reinsurance Recoverables



(\$ in millions)	March 31, 2020	December 31, 2019
Gross reinsurance recoverables on paid and unpaid claims and claim adjustment expenses (1)	\$ 3,456	\$ 3,476
Gross structured settlements (2)	2,928	2,965
Mandatory pools and associations (3)	1,917	1,886
Gross reinsurance recoverables (4)	8,301	8,327
Allowance for estimated uncollectible reinsurance (5)	(149)	(92)
Net reinsurance recoverables	\$ 8,152	\$ 8,235

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

Reinsurer	A.M. Best Rating of Group's Predominant Reinsurer	March 31, 2020
Swiss Re Group	A+ second highest of 16 ratings	\$ 492
Berkshire Hathaway	A++ highest of 16 ratings	365
Munich Re Group	A+ second highest of 16 ratings	298
Axa Group	A+ second highest of 16 ratings	174
Alleghany Group	A+ second highest of 16 ratings	148

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.

(2) 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 amounts due from the life insurance company related to the structured settlement are included in both the claims and claim adjustment expense reserves and reinsurance recoverables in the Company's consolidated balance sheet, as the Company retains the 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 included in gross structured settlements is as follows:

Group	A.M. Best Rating of Group's Predominant Insurer	March 31, 2020
Fidelity & Guaranty Life Group (a)	A- fourth highest of 16 ratings	\$ 774
Genworth Financial Group (b)	B seventh highest of 16 ratings	338
John Hancock Group	A+ second highest of 16 ratings	263
Brighthouse Financial, Inc.	A third highest of 16 ratings	245
Symetra Financial Corporation	A third highest of 16 ratings	239

(a) On February 7, 2020, Fidelity National Financial, Inc. announced that it had signed a merger agreement to acquire FGL Holdings (Fidelity & Guaranty Life Group). The transaction is expected to close in the second or third quarter of 2020, and is subject to the approval of FGL Holdings stockholders and federal and state regulators, as well as the satisfaction of other customary closing conditions.

(b) 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 April 1, 2020, the parties agreed to extend the closing deadline for the transaction until June 30, 2020.

(3) 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.

(4) Of the total reinsurance recoverables at March 31, 2020, after deducting mandatory pools and associations and before allowances for estimated uncollectible reinsurance, \$5.58 billion, or 87%, were rated by A.M. Best Company. The Company utilizes updated A.M. Best credit ratings on a quarterly basis when determining the allowance. Of the total rated by A.M. Best Company, 93% were rated A- or better. The remaining 13% of reinsurance recoverables were comprised of the following: 6% related to captive insurance companies, 1% related to the Company's participation in voluntary pools and 6% were balances from other companies not rated by A.M. Best Company. Certain of the Company's reinsurance recoverables are collateralized by letters of credit, funds held or trust agreements.

(5) The Company reports its reinsurance recoverables net of an allowance for estimated uncollectible reinsurance. The allowance is based upon the Company's ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing, disputes, applicable coverage defenses and other relevant factors. For structured settlements, the allowance is also based upon the Company's ongoing review of life insurers' creditworthiness and estimated amounts of coverage that would be available from state guaranty funds if a life insurer defaults. A probability-of-default methodology which reflects current and forecasted economic conditions is used to estimate the amount of uncollectible reinsurance due to credit-related factors and the estimate is reported in an allowance for estimated uncollectible reinsurance. The allowance also includes estimated uncollectible amounts related to dispute risk with reinsurers. The Company adopted updated guidance for the accounting for credit losses for financial instruments for the quarter ending March 31, 2020 which resulted in the recognition of an allowance for expected credit losses on structured settlements of \$53 million, pre-tax, with an offsetting after-tax cumulative effect adjustment to retained earnings as of January 1, 2020.

The Travelers Companies, Inc.
Net Reserves for Losses and Loss Adjustment Expense



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Statutory Reserves for Losses and Loss Adjustment Expenses					
Business Insurance					
Beginning of period	\$33,857	\$34,086	\$34,377	\$34,963	\$35,142
Incurred	2,529	2,631	2,969	2,608	2,737
Paid	(2,320)	(2,345)	(2,354)	(2,482)	(2,364)
Foreign exchange and other	20	5	(29)	53	(100)
End of period	\$34,086	\$34,377	\$34,963	\$35,142	\$35,415
Bond & Specialty Insurance					
Beginning of period	\$ 2,987	\$ 3,068	\$ 3,042	\$ 3,074	\$ 3,094
Incurred	264	236	298	286	325
Paid	(189)	(260)	(256)	(290)	(300)
Foreign exchange and other	6	(2)	(10)	24	(34)
End of period	\$ 3,068	\$ 3,042	\$ 3,074	\$ 3,094	\$ 3,085
Personal Insurance					
Beginning of period	\$ 5,565	\$ 5,427	\$ 5,560	\$ 5,587	\$ 5,507
Incurred	1,596	1,897	1,899	1,684	1,671
Paid	(1,751)	(1,781)	(1,862)	(1,782)	(1,693)
Foreign exchange and other	17	17	(10)	18	(72)
End of period	\$ 5,427	\$ 5,560	\$ 5,587	\$ 5,507	\$ 5,413
Total					
Beginning of period	\$42,409	\$42,581	\$42,979	\$43,624	\$43,743
Incurred	4,389	4,764	5,166	4,578	4,733
Paid	(4,260)	(4,386)	(4,472)	(4,554)	(4,357)
Foreign exchange and other	43	20	(49)	95	(206)
End of period	\$42,581	\$42,979	\$43,624	\$43,743	\$43,913
Prior Year Reserve Development: Unfavorable (Favorable)					
Business Insurance					
Asbestos	\$ —	\$ —	\$ 220	\$ —	\$ —
Environmental	—	60	8	8	17
All other	21	(131)	88	(16)	(22)
Total Business Insurance (1)	21	(71)	316	(8)	(5)
Bond & Specialty Insurance					
	(3)	(39)	(3)	(20)	—
Personal Insurance					
	(69)	(13)	(19)	(32)	(22)
Total	\$ (51)	\$ (123)	\$ 294	\$ (60)	\$ (27)

(1) Excludes accretion of discount.

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Asbestos reserves					
Beginning reserves:					
Gross	\$ 1,608	\$ 1,564	\$ 1,474	\$ 1,685	\$ 1,601
Ceded	(327)	(321)	(295)	(334)	(322)
Net	1,281	1,243	1,179	1,351	1,279
Incurring losses and loss expenses:					
Gross	—	—	268	—	—
Ceded	—	—	(48)	—	—
Paid loss and loss expenses:					
Gross	44	90	57	86	69
Ceded	(6)	(26)	(9)	(12)	(6)
Foreign exchange and other:					
Gross	—	—	—	2	(2)
Ceded	—	—	—	—	—
Ending reserves:					
Gross	1,564	1,474	1,685	1,601	1,530
Ceded	(321)	(295)	(334)	(322)	(316)
Net	\$ 1,243	\$ 1,179	\$ 1,351	\$ 1,279	\$ 1,214
Environmental reserves					
Beginning reserves:					
Gross	\$ 358	\$ 338	\$ 388	\$ 374	\$ 350
Ceded	(24)	(24)	(29)	(29)	(29)
Net	334	314	359	345	321
Incurring losses and loss expenses:					
Gross	—	67	8	9	19
Ceded	—	(7)	—	(1)	(2)
Paid loss and loss expenses:					
Gross	20	16	22	34	18
Ceded	—	(1)	—	(1)	(4)
Foreign exchange and other:					
Gross	—	(1)	—	1	(1)
Ceded	—	1	—	—	—
Ending reserves:					
Gross	338	388	374	350	350
Ceded	(24)	(29)	(29)	(29)	(27)
Net	\$ 314	\$ 359	\$ 345	\$ 321	\$ 323

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

(\$ in millions)	March 31, 2020	December 31, 2019
Debt		
Short-term debt		
Commercial paper	\$ 100	\$ 100
3.90% Senior notes due November 1, 2020 (1)	500	500
Total short-term debt	600	600
Long-term debt		
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	500
4.10% Senior notes due March 4, 2049 (1)	500	500
Total long-term debt	6,004	6,004
Unamortized fair value adjustment	43	43
Unamortized debt issuance costs	(88)	(89)
	5,959	5,958
Total debt	6,559	6,558
Common equity (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	23,419	23,697
Total capital (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	\$ 29,978	\$ 30,255
Total debt to capital (excluding net unrealized investment gains, net of tax, included in shareholders' equity)	21.9%	21.7%

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

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

Statutory Capital and Surplus to GAAP Shareholders' Equity Reconciliation

(\$ in millions)	March 31, 2020 (1)	December 31, 2019
Statutory capital and surplus	\$ 20,808	\$ 21,330
GAAP adjustments		
Goodwill and intangible assets	3,574	3,589
Investments	2,553	3,130
Noninsurance companies	(3,944)	(4,111)
Deferred acquisition costs	2,298	2,273
Deferred federal income tax	(974)	(1,144)
Current federal income tax	(33)	(29)
Reinsurance recoverables	47	47
Furniture, equipment & software	688	676
Agents balances	182	212
Other	5	(30)
Total GAAP adjustments	4,396	4,613
GAAP shareholders' equity	\$ 25,204	\$ 25,943

(1) Estimated and Preliminary

See Glossary of Financial Measures and Description of Reportable Business Segments on pages 35 and 36.

(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Cash flows from operating activities					
Net income	\$ 796	\$ 557	\$ 396	\$ 873	\$ 600
Adjustments to reconcile net income to net cash provided by operating activities:					
Net realized investment (gains) losses	(53)	(25)	(23)	(12)	98
Depreciation and amortization	211	190	180	182	203
Deferred federal income tax expense (benefit)	32	(22)	(20)	(23)	6
Amortization of deferred acquisition costs	1,117	1,134	1,169	1,181	1,178
Equity in income from other investments	(34)	(98)	(64)	(55)	(67)
Premiums receivable	(434)	(345)	168	227	(326)
Reinsurance recoverables	98	53	61	(55)	(15)
Deferred acquisition costs	(1,185)	(1,223)	(1,211)	(1,128)	(1,215)
Claims and claim adjustment expense reserves	(2)	331	598	120	388
Unearned premium reserves	551	407	392	(342)	414
Other	(458)	194	355	444	(636)
Net cash provided by operating activities	639	1,153	2,001	1,412	628
Cash flows from investing activities					
Proceeds from maturities of fixed maturities	1,556	1,482	1,857	1,950	1,461
Proceeds from sales of investments:					
Fixed maturities	769	726	306	386	388
Equity securities	39	32	28	41	33
Other investments	105	135	106	113	64
Purchases of investments:					
Fixed maturities	(2,914)	(2,794)	(2,526)	(2,477)	(2,630)
Equity securities	(22)	(19)	(21)	(32)	(35)
Real estate investments	(77)	(8)	(10)	(12)	(16)
Other investments	(146)	(116)	(107)	(128)	(103)
Net sales (purchases) of short-term securities	(109)	606	(1,114)	(340)	906
Securities transactions in course of settlement	295	(72)	209	(274)	85
Other	(82)	(87)	(74)	(82)	(69)
Net cash provided by (used in) investing activities	(586)	(115)	(1,346)	(855)	84

The Travelers Companies, Inc.
Statement of Cash Flows (Continued)



(\$ in millions)	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Cash flows from financing activities					
Treasury stock acquired - share repurchase authorization	(375)	(375)	(375)	(375)	(425)
Treasury stock acquired - net employee share-based compensation	(46)	(1)	—	(1)	(46)
Dividends paid to shareholders	(205)	(214)	(214)	(211)	(210)
Payment of debt	—	(500)	—	—	—
Issuance of debt	492	—	—	—	—
Issuance of common stock - employee share options	63	111	32	7	31
Net cash used in financing activities	(71)	(979)	(557)	(580)	(650)
Effect of exchange rate changes on cash	2	—	(6)	9	(12)
Net increase (decrease) in cash	(16)	59	92	(14)	50
Cash at beginning of period	373	357	416	508	494
Cash at end of period	\$ 357	\$ 416	\$ 508	\$ 494	\$ 544
Income taxes paid	\$ 5	\$ 320	\$ 42	\$ 61	\$ 15
Interest paid	\$ 50	\$ 121	\$ 60	\$ 107	\$ 60

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, to establish performance targets on a consolidated basis, and for other reasons as discussed below. 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.

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 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.

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 periods 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 and radiological events, cyber events, explosions and destruction of infrastructure. 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 2020 ranges from approximately \$20 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* premiums 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 and other, 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.

Glossary of Financial Measures and Description of Reportable Business Segments

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 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, a leading provider of small business insurance policies primarily in the United Kingdom that was acquired in August 2017, as well as Business Insurance Other, which primarily comprises 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 (through a joint venture as described below), 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 Junto Holding Brasil S.A. (Junto) and Junto Holding Latam S.A. in Brazil. The Company owns 49.5% of both Junto, a market leader in surety coverages in Brazil, and Junto Holding Latam 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.