

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): **January 23, 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 January 23, 2020, The Travelers Companies, Inc. (the “Company”) issued a press release announcing the results of the Company’s operations for the quarter ended December 31, 2019, and the availability of the Company’s fourth 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 January 23, 2020, reporting results of operations (This exhibit is furnished and not filed.)</u>
99.2	<u>Fourth Quarter 2019 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: January 23, 2020 By: /s/ CHRISTINE K. KALLA

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

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Section 2: EX-99.1 (EXHIBIT 99.1)



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

NYSE: TRV

Travelers Reports Record Net and Core Income per Diluted Share in Fourth Quarter 2019

Fourth Quarter Net Income per Diluted Share of \$3.35, up 44%, and Return on Equity of 13.5%

Fourth Quarter Core Income per Diluted Share of \$3.32, up 56%, and Core Return on Equity of 14.8%

Full Year Net Income of \$2.622 billion, up 4%, and Return on Equity of 10.5%

Full Year Core Income of \$2.537 billion, up 4%, and Core Return on Equity of 10.9%

- Fourth quarter net income of \$873 million and core income of \$867 million.
- Catastrophe losses of \$85 million pre-tax decreased from \$610 million pre-tax in the prior year quarter.
- Fourth quarter consolidated combined ratio of 92.4% improved by 5.1 points; underlying combined ratio of 92.1%.
- Fourth quarter net written premiums of \$7.075 billion, up 6%; record full year net written premiums of \$29.151 billion, up 5%; both periods reflect growth in all segments.
- Fourth quarter renewal premium change in domestic Business Insurance of 7.8%, highest level since 2013.
- Total capital returned to shareholders of \$588 million, including \$376 million of share repurchases. Full year total capital returned to shareholders of \$2.396 billion, including \$1.548 billion of share repurchases.
- Book value per share of \$101.55, up 17% from year-end 2018. Adjusted book value per share of \$92.76, up 6% from year-end 2018.
- Board of Directors declared quarterly dividend per share of \$0.82.

New York, January 23, 2020 — The Travelers Companies, Inc. today reported net income of \$873 million, or \$3.35 per diluted share, for the quarter ended December 31, 2019, compared to \$621 million, or \$2.32 per diluted share, in the prior year quarter. Core income in the current quarter was \$867 million, or \$3.32 per diluted share, compared to \$571 million, or \$2.13 per diluted share, in the prior year quarter. Core income increased primarily due to significantly lower catastrophe losses, partially offset by lower net favorable prior year reserve development and a lower underlying underwriting gain (i.e., excluding net favorable prior year reserve development and catastrophe losses), in each case primarily due to the impact of an increasingly challenging tort environment. Net realized investment gains were \$12 million pre-tax (\$6 million after-tax), compared to \$60 million pre-tax (\$50 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 December 31,			Twelve Months Ended December 31,		
	2019	2018	Change	2019	2018	Change
Net written premiums	\$ 7,075	\$ 6,691	6 %	\$ 29,151	\$ 27,708	5 %
Total revenues	\$ 8,063	\$ 7,796	3	\$ 31,581	\$ 30,282	4
Net income	\$ 873	\$ 621	41	\$ 2,622	\$ 2,523	4
<i>per diluted share</i>	\$ 3.35	\$ 2.32	44	\$ 9.92	\$ 9.28	7
Core income	\$ 867	\$ 571	52	\$ 2,537	\$ 2,430	4
<i>per diluted share</i>	\$ 3.32	\$ 2.13	56	\$ 9.60	\$ 8.94	7
Diluted weighted average shares outstanding	259.0	266.0	(3)	262.3	269.8	(3)
Combined ratio	92.4%	97.5%	(5.1) pts	96.5%	96.9%	(0.4) pts
Underlying combined ratio	92.1%	91.1%	1.0 pts	93.2%	92.5%	0.7 pts
Return on equity	13.5%	10.9%	2.6 pts	10.5%	11.0%	(0.5) pts
Core return on equity	14.8%	10.0%	4.8 pts	10.9%	10.7%	0.2 pts

	As of December 31,		
	2019	2018	Change
Book value per share	\$ 101.55	\$ 86.84	17%
Adjusted book value per share	92.76	87.27	6%

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

“We are pleased to report fourth quarter core income of \$867 million and core return on equity of 14.8%,” said Alan Schnitzer, Chairman and Chief Executive Officer. “Our strong earnings and improved combined ratio of 92.4% benefited from lower catastrophe losses and the continued successful execution of our strategy to grow the top line at attractive returns while improving operating leverage. Earned premiums increased by 4% over the prior year quarter to a record \$7.3 billion. Our expense ratio improved to 29.1%, lowering our full year expense ratio to 29.6%, a significant improvement from recent years. These improvements were partially offset by the impacts of ongoing challenges in the tort environment. Our high-quality investment portfolio continued to perform well, generating net investment income of \$525 million after-tax. Our results, together with our strong balance sheet, enabled us to return \$588 million of excess capital to shareholders this quarter, including \$376 million of share repurchases. For the full year, we returned \$2.4 billion of excess capital to shareholders, including more than \$1.5 billion in share repurchases.

“Turning to the top line, we continue to be pleased with our marketplace execution. Net written premiums increased by 6% to a fourth quarter record of \$7.1 billion, marking the twelfth consecutive quarter in which we generated premium growth in all three business segments. In an environment of elevated loss activity and persistently low interest rates, we were once again successful in achieving meaningful improvement in renewal premium change while maintaining high levels of retention. In domestic Business Insurance, renewal premium change was 7.8%, including renewal rate change of 5.1%, in both cases the highest levels since 2013, while retention remained very strong at 84%. In our domestic management liability business in Bond & Specialty Insurance, renewal premium change was 6.6%, the highest level since 2014, while retention remained historically high at 89%. In Personal Insurance, retention and new business remained strong in both Agency Auto and Agency Homeowners. In our Agency Homeowners business, renewal premium change increased to 7.4%, its highest level since 2014.

“In this more challenging tort and low interest rate environment, we generated full year core income in excess of \$2.5 billion and core return on equity of 10.9%, demonstrating the strength and resilience of our franchise. We grew full year net written premiums by 5% to a record \$29.2 billion and generated cash flow from operations of \$5.2 billion, its highest level in more than a decade. Our performance enabled us to continue to make significant investments in support of our ambitious innovation agenda, while growing our investment portfolio and returning a substantial amount of capital to our shareholders. With our significant competitive advantages, including the best talent in the industry and deep experience in successfully managing our diversified business through a variety of market conditions, we remain well positioned to continue to deliver superior returns over time.”

Consolidated Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Change	2019	2018	Change
Underwriting gain:	\$ 513	\$ 135	\$ 378	\$ 833	\$ 681	\$ 152
<i>Underwriting gain includes:</i>						
<i>Net favorable (unfavorable) prior year reserve development</i>	60	167	(107)	(60)	517	(577)
<i>Catastrophes, net of reinsurance</i>	(85)	(610)	525	(886)	(1,716)	830
Net investment income	616	630	(14)	2,468	2,474	(6)
Other income (expense), including interest expense	(67)	(79)	12	(276)	(308)	32
Core income before income taxes	1,062	686	376	3,025	2,847	178
Income tax expense	195	115	80	488	417	71
Core income	867	571	296	2,537	2,430	107
Net realized investment gains after income taxes	6	50	(44)	85	93	(8)
Net income	\$ 873	\$ 621	\$ 252	\$ 2,622	\$ 2,523	\$ 99
Combined ratio	92.4 %	97.5 %	(5.1) pts	96.5%	96.9 %	(0.4) pts
<i>Impact on combined ratio</i>						
<i>Net (favorable) unfavorable prior year reserve development</i>	(0.8) pts	(2.4) pts	1.6 pts	0.2 pts	(1.9) pts	2.1 pts
<i>Catastrophes, net of reinsurance</i>	1.1 pts	8.8 pts	(7.7) pts	3.1 pts	6.3 pts	(3.2) pts
Underlying combined ratio	92.1 %	91.1 %	1.0 pts	93.2%	92.5 %	0.7 pts
Net written premiums						
Business Insurance	\$ 3,703	\$ 3,533	5 %	\$ 15,629	\$ 14,956	4 %
Bond & Specialty Insurance	714	657	9	2,739	2,528	8
Personal Insurance	2,658	2,501	6	10,783	10,224	5
Total	\$ 7,075	\$ 6,691	6 %	\$ 29,151	\$ 27,708	5 %

Fourth Quarter 2019 Results

(All comparisons vs. fourth quarter 2018, unless noted otherwise)

Net income of \$873 million increased \$252 million due to higher core income, partially offset by lower net realized investment gains. Core income of \$867 million increased \$296 million, primarily due to significantly lower catastrophe losses, partially offset by lower net favorable prior year reserve development and a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 92.4% decreased 5.1 points due to significantly lower catastrophe losses (7.7 points), partially offset by lower net favorable prior year reserve development (1.6 points) and a higher underlying combined ratio (1.0 points).
- The underlying combined ratio of 92.1% increased 1.0 points. See below for further details by segment.
- Net favorable prior year reserve development occurred in all segments. See below for further details by segment. Catastrophe losses primarily resulted from wind and hail storms in several regions of the United States and a wildfire in California.

Net investment income of \$616 million pre-tax (\$525 million after-tax) decreased 2%. Income from the fixed income investment portfolio increased due to a higher average level of fixed maturity investments, partially offset by slightly lower interest rates. Private equity partnership returns were lower than in the prior year quarter.

Net written premiums of \$7.075 billion increased 6%. See below for further details by segment.

Full Year 2019 Results

(All comparisons vs. full year 2018, unless noted otherwise)

Net income of \$2.622 billion increased \$99 million due to higher core income. Core income of \$2.537 billion increased by \$107 million, primarily due to significantly lower catastrophe losses, partially offset by net unfavorable prior year reserve development in the current year compared to net favorable prior year reserve development in the prior year and a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes. Net realized investment gains of \$113 million pre-tax were comparable with the prior year.

Combined ratio:

- The combined ratio of 96.5% decreased 0.4 points due to significantly lower catastrophe losses (3.2 points), partially offset by net unfavorable prior year reserve development in the current year compared to net favorable prior year reserve development in the prior year (2.1 points) and a higher underlying combined ratio (0.7 points).
- The underlying combined ratio of 93.2% increased 0.7 points. See below for further details by segment.
- Net unfavorable prior year reserve development occurred in Business Insurance. Net favorable prior year reserve development occurred in Personal Insurance and Bond & Specialty Insurance. See below for further details by segment. Catastrophe losses included the fourth quarter events described above, as well as winter storms and wind storms in several regions of the United States and Hurricane Dorian in the first nine months of 2019.

Net investment income of \$2.468 billion pre-tax (\$2.097 billion after-tax) was comparable to the prior year. Income from the fixed income investment portfolio increased due to the impacts of a higher average level of fixed maturity investments and higher long-term and short-term interest rates. Private equity partnership and real estate partnership returns were strong but lower than in the prior year.

Record gross written premiums of \$31.063 billion grew 6%. Record net written premiums of \$29.151 billion increased 5%, reflecting growth in all segments. Growth in net written premiums was impacted by the Underlying Property Aggregate Catastrophe Excess-of-Loss Reinsurance Treaty entered into effective January 1, 2019 ("the new catastrophe reinsurance treaty"), the entire cost of which impacted net written premiums in the first quarter. Accordingly, the treaty did not impact net written premiums in the final three quarters of the year. See below for further details by segment.

Shareholders' Equity

Shareholders' equity of \$25.943 billion increased 13% from year-end 2018, primarily due to the impact of lower interest rates on net unrealized investment gains (losses). Net unrealized investment gains included in shareholders' equity were \$2.853 billion pre-tax (\$2.246 billion after-tax), compared to net unrealized investment losses of \$137 million pre-tax (\$113 million after-tax) at year-end 2018. Book value per share of \$101.55 increased 17% from year-end 2018, also primarily due to the impact of lower interest rates on net unrealized investment gains (losses). Adjusted book value per share of \$92.76, which excludes net unrealized investment gains (losses), increased 6% from year-end 2018.

The Company repurchased 2.9 million shares during the fourth quarter at an average price of \$134.34 per share for a total cost of \$376 million. Capacity remaining under the existing share repurchase authorization was \$1.786 billion at the end of the quarter. Also at the end of the quarter, statutory capital and surplus was \$21.330 billion, and the ratio of debt-to-capital was 20.2%. The ratio of debt-to-capital excluding after-tax net unrealized investment gains included in shareholders' equity was 21.7%, within the Company's target range of 15% to 25%.

The Board of Directors declared a quarterly dividend of \$0.82 per share. The dividend is payable on March 31, 2020, to shareholders of record at the close of business on March 10, 2020.

Business Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Change	2019	2018	Change
Underwriting gain (loss):	\$ 87	\$ 7	\$ 80	\$ (195)	\$ 76	\$ (271)
<i>Underwriting gain (loss) includes:</i>						
Net favorable (unfavorable) prior year reserve development	8	48	(40)	(258)	142	(400)
Catastrophes, net of reinsurance	(48)	(197)	149	(470)	(639)	169
Net investment income	451	465	(14)	1,816	1,833	(17)
Other income (expense)	—	(9)	9	(6)	(12)	6
Segment income before income taxes	538	463	75	1,615	1,897	(282)
Income tax expense	90	72	18	223	259	(36)
Segment income	\$ 448	\$ 391	\$ 57	\$ 1,392	\$ 1,638	\$ (246)
Combined ratio	97.5 %	99.4 %	(1.9) pts	100.9%	99.1 %	1.8 pts
<i>Impact on combined ratio</i>						
Net (favorable) unfavorable prior year reserve development	(0.2) pts	(1.2) pts	1.0 pts	1.7 pts	(1.0) pts	2.7 pts
Catastrophes, net of reinsurance	1.3 pts	5.2 pts	(3.9) pts	3.0 pts	4.4 pts	(1.4) pts
Underlying combined ratio	96.4 %	95.4 %	1.0 pts	96.2%	95.7 %	0.5 pts
Net written premiums by market						
Domestic						
Select Accounts	\$ 675	\$ 660	2 %	\$ 2,911	\$ 2,828	3 %
Middle Market	2,061	1,935	7	8,630	8,214	5
National Accounts	251	247	2	1,051	1,025	3
National Property and Other	437	422	4	1,965	1,805	9
Total Domestic	3,424	3,264	5	14,557	13,872	5
International	279	269	4	1,072	1,084	(1)
Total	\$ 3,703	\$ 3,533	5 %	\$ 15,629	\$ 14,956	4 %

Fourth Quarter 2019 Results

(All comparisons vs. fourth quarter 2018, unless noted otherwise)

Segment income for Business Insurance was \$448 million after-tax, an increase of \$57 million. Segment income increased primarily due to significantly lower catastrophe losses, partially offset by lower net favorable prior year reserve development and a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 97.5% decreased 1.9 points due to significantly lower catastrophe losses (3.9 points), partially offset by lower net favorable prior year reserve development (1.0 points) and a higher underlying combined ratio (1.0 points).
- The underlying combined ratio of 96.4% increased 1.0 points, primarily driven by the impacts of (1) higher loss estimates in the general liability product line for primary and excess coverages and in the commercial automobile product line, including the current quarter impacts of higher loss estimates initially reflected in the first nine months of the year, and (2) a higher level of international loss activity, partially offset by (3) lower loss estimates in the workers' compensation product line due to the current quarter impacts of lower loss estimates initially reflected in the first nine months of the year and (4) a lower underwriting expense ratio. The underlying combined ratios in both the current and prior year quarters are elevated due to comparable impacts from the re-estimation of losses incurred in the first nine months of each year.
- 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.

Largely offset by:

- *General liability* - higher than expected loss experience in the segment's domestic operations for primary and excess coverages primarily for recent accident years; and
- *Commercial multi-peril* - higher than expected loss experience in the segment's domestic operations primarily for recent accident years.

Net written premiums of \$3.703 billion increased 5%, benefiting from continued strong retention and new business, as well as higher renewal premium change.

Full Year 2019 Results

(All comparisons vs. full year 2018, unless noted otherwise)

Segment income for Business Insurance was \$1.392 billion after-tax, a decrease of \$246 million. Segment income decreased primarily due to net unfavorable prior year reserve development in the current year compared to net favorable prior year reserve development in the prior year and a lower underlying underwriting gain, partially offset by lower catastrophe losses. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 100.9% increased 1.8 points due to net unfavorable prior year reserve development in the current year compared to net favorable prior year reserve development in the prior year (2.7 points) and a higher underlying combined ratio (0.5 points), partially offset by lower catastrophe losses (1.4 points).
- The underlying combined ratio of 96.2% increased 0.5 points, primarily driven by the impacts of higher loss estimates in the general liability product line for primary and excess coverages and the commercial automobile product line, partially offset by a lower underwriting expense ratio.
- Net unfavorable prior year reserve development was primarily driven by the following:
 - *General liability (excluding asbestos and environmental)* - higher than expected loss experience in the segment's domestic operations for primary and excess coverages for multiple accident years, including the impact for accident years 2009 and prior related to the enactment of legislation by a number of states that extended the statute of limitations for childhood sexual molestation claims;
 - *Commercial automobile* - higher than expected loss experience in the segment's domestic operations for recent accident years;
 - *Asbestos reserves* - an increase of \$220 million, primarily in the segment's domestic general liability product line;
 - *Commercial multi-peril* - higher than expected loss experience in the segment's domestic operations for recent accident years; and
 - *Environmental reserves* - an increase of \$76 million, primarily in the segment's domestic general liability product line.

Partially offset by:

- *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 recent accident years.

Gross written premiums of \$17.151 billion grew 6%, benefiting from continued strong retention, higher renewal premium change and higher levels of new business. Net written premiums of \$15.629 billion increased 4%. Growth in net written premiums was impacted by the new catastrophe reinsurance treaty.

Bond & Specialty Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Change	2019	2018	Change
Underwriting gain:	\$ 142	\$ 214	\$ (72)	\$ 515	\$ 740	\$ (225)
<i>Underwriting gain includes:</i>						
<i>Net favorable prior year reserve development</i>	20	89	(69)	65	266	(201)
<i>Catastrophes, net of reinsurance</i>	(1)	(7)	6	(5)	(16)	11
Net investment income	60	61	(1)	233	233	—
Other income	5	5	—	21	18	3
Segment income before income taxes	207	280	(73)	769	991	(222)
Income tax expense	40	60	(20)	151	198	(47)
Segment income	\$ 167	\$ 220	\$ (53)	\$ 618	\$ 793	\$ (175)
Combined ratio	78.6 %	64.8 %	13.8 pts	79.5 %	69.0 %	10.5 pts
<i>Impact on combined ratio</i>						
<i>Net favorable prior year reserve development</i>	(2.9) pts	(14.4) pts	11.5 pts	(2.5) pts	(11.0) pts	8.5 pts
<i>Catastrophes, net of reinsurance</i>	0.2 pts	1.1 pts	(0.9) pts	0.2 pts	0.6 pts	(0.4) pts
Underlying combined ratio	81.3 %	78.1 %	3.2 pts	81.8 %	79.4 %	2.4 pts
Net written premiums						
Domestic						
Management Liability	\$ 411	\$ 366	12 %	\$ 1,605	\$ 1,455	10 %
Surety	206	198	4	866	835	4
Total Domestic	617	564	9	2,471	2,290	8
International						
Total	97	93	4	268	238	13
Total	\$ 714	\$ 657	9 %	\$ 2,739	\$ 2,528	8 %

Fourth Quarter 2019 Results

(All comparisons vs. fourth quarter 2018, unless noted otherwise)

Segment income for Bond & Specialty Insurance was \$167 million after-tax, a decrease of \$53 million. Segment income decreased primarily due to lower net favorable prior year reserve development. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 78.6% increased 13.8 points due to lower net favorable prior year reserve development (11.5 points) and a higher underlying combined ratio (3.2 points), partially offset by lower catastrophe losses (0.9 points).
- The underlying combined ratio of 81.3% remained very strong. The increase of 3.2 points from the prior year quarter reflected higher loss estimates related to management liability coverages due to the current quarter impacts of higher loss estimates initially reflected in the first nine months of the year and a particular loss reflected in the current quarter, partially offset by lower surety loss estimates and a lower underwriting expense ratio.
- Net favorable prior year reserve development was driven by better than expected loss experience in the domestic fidelity and surety product line for multiple accident years.

Net written premiums of \$714 million increased 9%, reflecting continued strong retention, increased levels of renewal premium change and strong new business in management liability and continued strong surety production.

Full Year 2019 Results

(All comparisons vs. full year 2018, unless noted otherwise)

Segment income for Bond & Specialty Insurance was \$618 million after-tax, a decrease of \$175 million. Segment income decreased primarily due to lower net favorable prior year reserve development and a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 79.5% increased 10.5 points due to lower net favorable prior year reserve development (8.5 points) and a higher underlying combined ratio (2.4 points), partially offset by lower catastrophe losses (0.4 points).
- The underlying combined ratio of 81.8% remained very strong.
- Net favorable prior year reserve development was driven by better than expected loss experience in the domestic general liability product line for management liability coverages and in the fidelity and surety product line for multiple accident years.

Net written premiums of \$2.739 billion increased 8% and benefited from the same factors as discussed above for the fourth quarter 2019.

Personal Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Change	2019	2018	Change
Underwriting gain (loss):	\$ 284	\$ (86)	\$ 370	\$ 513	\$ (135)	\$ 648
<i>Underwriting gain (loss) includes:</i>						
Net favorable prior year reserve development	32	30	2	133	109	24
Catastrophes, net of reinsurance	(36)	(406)	370	(411)	(1,061)	650
Net investment income	105	104	1	419	408	11
Other income	22	18	4	87	66	21
Segment income before income taxes	411	36	375	1,019	339	680
Income tax expense	84	4	80	195	42	153
Segment income	\$ 327	\$ 32	\$ 295	\$ 824	\$ 297	\$ 527
Combined ratio	88.5 %	102.6 %	(14.1) pts	94.2 %	100.6 %	(6.4) pts
<i>Impact on combined ratio</i>						
Net favorable prior year reserve development	(1.2) pts	(1.1) pts	(0.1) pts	(1.3) pts	(1.1) pts	(0.2) pts
Catastrophes, net of reinsurance	1.3 pts	15.9 pts	(14.6) pts	4.0 pts	10.7 pts	(6.7) pts
Underlying combined ratio	88.4 %	87.8 %	0.6 pts	91.5 %	91.0 %	0.5 pts
Net written premiums						
Domestic						
Agency (1)						
Automobile	\$ 1,253	\$ 1,226	2 %	\$ 5,124	\$ 4,972	3 %
Homeowners and Other	1,145	1,011	13	4,540	4,148	9
Total Agency	2,398	2,237	7	9,664	9,120	6
Direct to Consumer	99	97	2	412	396	4
Total Domestic	2,497	2,334	7	10,076	9,516	6
International	161	167	(4)	707	708	—
Total	\$ 2,658	\$ 2,501	6 %	\$ 10,783	\$ 10,224	5 %

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

Fourth Quarter 2019 Results

(All comparisons vs. fourth quarter 2018, unless noted otherwise)

Segment income for Personal Insurance was \$327 million after-tax, an increase of \$295 million. Segment income increased primarily due to significantly lower catastrophe losses. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 88.5% decreased 14.1 points due to significantly lower catastrophe losses (14.6 points) and higher net favorable prior year reserve development (0.1 points), partially offset by a higher underlying combined ratio (0.6 points).
- The underlying combined ratio of 88.4% increased 0.6 points, primarily reflecting a comparison to a low level of loss activity in the prior year quarter for Agency Automobile.
- Net favorable prior year reserve development was driven by better than expected loss experience in the automobile product line and homeowners and other product line for multiple accident years.

Net written premiums of \$2.658 billion increased 6%. Agency Automobile net written premiums increased 2%, driven by strong retention, renewal premium change of 3% and higher levels of new business. Agency Homeowners and Other net written premiums increased 13%, driven by strong retention, renewal premium change of 7% and higher levels of new business.

Full Year 2019 Results

(All comparisons vs. full year 2018, unless noted otherwise)

Segment income for Personal Insurance was \$824 million after-tax, an increase of \$527 million. Segment income increased primarily due to significantly lower catastrophe losses and higher net favorable prior year reserve development, partially offset by a lower underlying underwriting gain. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 94.2% improved 6.4 points due to significantly lower catastrophe losses (6.7 points) and higher net favorable prior year reserve development (0.2 points), partially offset by a higher underlying combined ratio (0.5 points).
- The underlying combined ratio of 91.5% increased 0.5 points, primarily driven by the impacts of (1) higher non-catastrophe weather-related losses in Agency Homeowners and Other and (2) the new catastrophe reinsurance treaty, mostly impacting Agency Homeowners and Other, partially offset by (3) earned pricing that exceeded loss cost trends in Agency Automobile and (4) a lower underwriting expense ratio.
- Net favorable prior year reserve development was driven by better than expected loss experience in the domestic automobile and homeowners and other product lines for recent accident years.

Gross written premiums of \$10.981 billion grew 6%. Net written premiums of \$10.783 billion increased 5%.

Agency Automobile gross written premiums of \$5.154 billion grew 3%, driven by strong retention, renewal premium change of 4% and higher levels of new business. Net written premiums increased 3%.

Agency Homeowners and Other gross written premiums of \$4.685 billion grew 11% driven by strong retention, renewal premium change of 7% and higher levels of new business. Net written premiums increased 9%.

Growth in net written premiums was impacted by the new catastrophe reinsurance treaty.

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 Thursday, January 23, 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 31,000 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);
- 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 changing climate conditions and increased concentrations of insured properties 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, the Company's financial results could be materially and adversely affected;
- during or following a period of financial market disruption or an economic downturn, the Company's business could be materially and adversely affected;
- the Company's investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
- 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 changes that take place after the Company issues its policies 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 we are exposed to credit risk related to our 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;
- 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;
- 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.

Our forward-looking statements speak only as of the date of this press release or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 14, 2019, 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 December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 873	\$ 621	\$ 2,622	\$ 2,523
Less: Net realized investment gains	(6)	(50)	(85)	(93)
Core income	\$ 867	\$ 571	\$ 2,537	\$ 2,430

(\$ in millions, pre-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 1,074	\$ 746	\$ 3,138	\$ 2,961
Less: Net realized investment gains	(12)	(60)	(113)	(114)
Core income	\$ 1,062	\$ 686	\$ 3,025	\$ 2,847

(\$ in millions, after-tax)	Twelve Months Ended December 31,														
	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 December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Basic income per share				
Net income	\$ 3.37	\$ 2.33	\$ 10.01	\$ 9.37
Adjustments:				
Net realized investment gains, after-tax	(0.02)	(0.18)	(0.32)	(0.35)
Core income	\$ 3.35	\$ 2.15	\$ 9.69	\$ 9.02
Diluted income per share				
Net income	\$ 3.35	\$ 2.32	\$ 9.92	\$ 9.28
Adjustments:				
Net realized investment gains, after-tax	(0.03)	(0.19)	(0.32)	(0.34)
Core income	\$ 3.32	\$ 2.13	\$ 9.60	\$ 8.94

Reconciliation of Segment Income to Total Core Income

(\$ in millions, after-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Business Insurance	\$ 448	\$ 391	\$ 1,392	\$ 1,638
Bond & Specialty Insurance	167	220	618	793
Personal Insurance	327	32	824	297
Total segment income	942	643	2,834	2,728
Interest Expense and Other	(75)	(72)	(297)	(298)
Total core income	\$ 867	\$ 571	\$ 2,537	\$ 2,430

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

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

Reconciliation of Shareholders' Equity to Adjusted Shareholders' Equity

(\$ in millions)	As of December 31,														
	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 December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Annualized net income	\$ 3,490	\$ 2,483	\$ 2,622	\$ 2,523
Average shareholders' equity	25,775	22,677	24,922	22,843
Return on equity	13.5%	10.9%	10.5%	11.0%
Annualized core income	\$ 3,468	\$ 2,286	\$ 2,537	\$ 2,430
Adjusted average shareholders' equity	23,472	22,932	23,335	22,814
Core return on equity	14.8%	10.0%	10.9%	10.7%

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 December 31, 2019

(\$ 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%
Average annual core return on equity for the period Jan. 1, 2005 through December 31, 2019	12.8%														

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 2019 ranges from approximately \$19 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 December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Pre-tax underwriting gain excluding the impact of catastrophes and net prior year loss reserve development	\$ 538	\$ 578	\$ 1,779	\$ 1,880
Pre-tax impact of catastrophes	(85)	(610)	(886)	(1,716)
Pre-tax impact of net favorable (unfavorable) prior year loss reserve development	60	167	(60)	517
Pre-tax underwriting gain	513	135	833	681
Income tax expense on underwriting results	117	36	179	105
Underwriting gain	396	99	654	576
Net investment income	525	535	2,097	2,102
Other income (expense), including interest expense	(54)	(63)	(214)	(248)
Core income	867	571	2,537	2,430
Net realized investment gains	6	50	85	93
Net income	\$ 873	\$ 621	\$ 2,622	\$ 2,523

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 December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Loss and loss adjustment expense ratio				
Claims and claim adjustment expenses	\$ 4,640	\$ 4,778	\$ 19,133	\$ 18,291
Less:				
Policyholder dividends	10	15	47	52
Allocated fee income	42	39	174	154
Loss ratio numerator	\$ 4,588	\$ 4,724	\$ 18,912	\$ 18,085
Underwriting expense ratio				
Amortization of deferred acquisition costs	\$ 1,181	\$ 1,122	\$ 4,601	\$ 4,381
General and administrative expenses (G&A)	1,085	1,063	4,365	4,297
Less:				
Non-insurance G&A	56	45	201	159
Allocated fee income	71	69	285	278
Billing and policy fees and other	27	24	108	93
Expense ratio numerator	\$ 2,112	\$ 2,047	\$ 8,372	\$ 8,148
Earned premium	\$ 7,250	\$ 6,945	\$ 28,272	\$ 27,059
Combined ratio (1)				
Loss and loss adjustment expense ratio	63.3%	68.0%	66.9%	66.8%
Underwriting expense ratio	29.1%	29.5%	29.6%	30.1%
Combined ratio	92.4%	97.5%	96.5%	96.9%

(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 (Losses), Net of Tax

	As of	
	December 31, 2019	December 31, 2018
(\$ in millions, except per share amounts)		
Shareholders' equity	\$ 25,943	\$ 22,894
Less: Net unrealized investment gains (losses), net of tax, included in shareholders' equity	2,246	(113)
Shareholders' equity, excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity	23,697	23,007
Less:		
Goodwill	3,961	3,937
Other intangible assets	330	345
Impact of deferred tax on other intangible assets	(51)	(44)
Tangible shareholders' equity	\$ 19,457	\$ 18,769
Common shares outstanding	255.5	263.6
Book value per share	\$ 101.55	\$ 86.84
Adjusted book value per share	92.76	87.27
Tangible book value per share	76.17	71.20

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

Total capitalization 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 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	
	December 31, 2019	December 31, 2018
(\$ in millions)		
Debt	\$ 6,558	\$ 6,564
Shareholders' equity	25,943	22,894
Total capitalization	32,501	29,458
Less: Net unrealized investment gains (losses), net of tax, included in shareholders' equity	2,246	(113)
Total capitalization excluding net unrealized gain (loss) on investments, net of tax, included in shareholders' equity	\$ 30,255	\$ 29,571
Debt-to-capital ratio	20.2%	22.3%
Debt-to-capital ratio excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity	21.7%	22.2%

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 14, 2019, and subsequent periodic filings with the SEC.

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Section 3: EX-99.2 (EXHIBIT 99.2)

The Travelers Companies, Inc.
Financial Supplement - Fourth Quarter 2019



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

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The Travelers Companies, Inc.
Financial Highlights



(\$ and shares in millions, except for per share data)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net income	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$ 2,523	\$ 2,622
Net income per share:										
Basic	\$ 2.45	\$ 1.93	\$ 2.65	\$ 2.33	\$ 3.01	\$ 2.11	\$ 1.52	\$ 3.37	\$ 9.37	\$ 10.01
Diluted	\$ 2.42	\$ 1.92	\$ 2.62	\$ 2.32	\$ 2.99	\$ 2.10	\$ 1.50	\$ 3.35	\$ 9.28	\$ 9.92
Core income	\$ 678	\$ 494	\$ 687	\$ 571	\$ 755	\$ 537	\$ 378	\$ 867	\$ 2,430	\$ 2,537
Core income per share:										
Basic	\$ 2.48	\$ 1.83	\$ 2.56	\$ 2.15	\$ 2.85	\$ 2.04	\$ 1.45	\$ 3.35	\$ 9.02	\$ 9.69
Diluted	\$ 2.46	\$ 1.81	\$ 2.54	\$ 2.13	\$ 2.83	\$ 2.02	\$ 1.43	\$ 3.32	\$ 8.94	\$ 9.60
Return on equity	11.5%	9.2%	12.6%	10.9%	13.5%	9.0%	6.2%	13.5%	11.0%	10.5%
Core return on equity	11.9%	8.7%	12.0%	10.0%	13.0%	9.2%	6.5%	14.8%	10.7%	10.9%
Total assets, at period end	\$103,676	\$103,523	\$104,390	\$104,233	\$107,246	\$108,572	\$110,241	\$110,122	\$104,233	\$110,122
Total equity, at period end	\$ 22,979	\$ 22,623	\$ 22,460	\$ 22,894	\$ 24,340	\$ 25,321	\$ 25,607	\$ 25,943	\$ 22,894	\$ 25,943
Book value per share, at period end	\$ 85.03	\$ 84.51	\$ 84.82	\$ 86.84	\$ 92.94	\$ 97.26	\$ 99.21	\$ 101.55	\$ 86.84	\$ 101.55
Less: Net unrealized investment gains (losses), net of tax	0.49	(0.42)	(1.69)	(0.43)	3.85	7.21	9.12	8.79	(0.43)	8.79
Adjusted book value per share, at period end	\$ 84.54	\$ 84.93	\$ 86.51	\$ 87.27	\$ 89.09	\$ 90.05	\$ 90.09	\$ 92.76	\$ 87.27	\$ 92.76
Weighted average number of common shares outstanding (basic)	271.0	268.7	266.1	263.9	262.9	261.3	259.2	256.8	267.4	260.0
Weighted average number of common shares outstanding and common stock equivalents (diluted)	273.9	271.1	268.4	266.0	264.8	263.7	261.8	259.0	269.8	262.3
Common shares outstanding at period end	270.2	267.7	264.8	263.6	261.9	260.3	258.1	255.5	263.6	255.5
Common stock dividends declared	\$ 197	\$ 209	\$ 207	\$ 205	\$ 204	\$ 217	\$ 215	\$ 212	\$ 818	\$ 848
Common stock repurchased:										
Under Board of Directors authorization										
Shares	2.5	2.7	3.0	1.4	2.9	2.6	2.5	2.8	9.6	10.8
Cost	\$ 350	\$ 350	\$ 400	\$ 170	\$ 375	\$ 375	\$ 375	\$ 375	\$ 1,270	\$ 1,500
Other										
Shares	0.3	—	0.1	—	0.3	—	—	0.1	0.4	0.4
Cost	\$ 51	\$ —	\$ —	\$ —	\$ 46	\$ 1	\$ —	\$ 1	\$ 51	\$ 48

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net income										
Net income	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$ 2,523	\$ 2,622
Adjustments:										
Net realized investment (gains) losses, after-tax	9	(30)	(22)	(50)	(41)	(20)	(18)	(6)	(93)	(85)
Core income	\$ 678	\$ 494	\$ 687	\$ 571	\$ 755	\$ 537	\$ 378	\$ 867	\$ 2,430	\$ 2,537
Basic earnings per share										
Net income	\$ 2.45	\$ 1.93	\$ 2.65	\$ 2.33	\$ 3.01	\$ 2.11	\$ 1.52	\$ 3.37	\$ 9.37	\$ 10.01
Adjustments:										
Net realized investment (gains) losses, after-tax	0.03	(0.10)	(0.09)	(0.18)	(0.16)	(0.07)	(0.07)	(0.02)	(0.35)	(0.32)
Core income	\$ 2.48	\$ 1.83	\$ 2.56	\$ 2.15	\$ 2.85	\$ 2.04	\$ 1.45	\$ 3.35	\$ 9.02	\$ 9.69
Diluted earnings per share										
Net income	\$ 2.42	\$ 1.92	\$ 2.62	\$ 2.32	\$ 2.99	\$ 2.10	\$ 1.50	\$ 3.35	\$ 9.28	\$ 9.92
Adjustments:										
Net realized investment (gains) losses, after-tax	0.04	(0.11)	(0.08)	(0.19)	(0.16)	(0.08)	(0.07)	(0.03)	(0.34)	(0.32)
Core income	\$ 2.46	\$ 1.81	\$ 2.54	\$ 2.13	\$ 2.83	\$ 2.02	\$ 1.43	\$ 3.32	\$ 8.94	\$ 9.60

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

Basic and Diluted	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net income, as reported	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$ 2,523	\$ 2,622
Participating share-based awards - allocated income	(5)	(4)	(5)	(5)	(5)	(4)	(3)	(7)	(19)	(19)
Net income available to common shareholders - basic and diluted	\$ 664	\$ 520	\$ 704	\$ 616	\$ 791	\$ 553	\$ 393	\$ 866	\$ 2,504	\$ 2,603
Common Shares										
Basic										
Weighted average shares outstanding	271.0	268.7	266.1	263.9	262.9	261.3	259.2	256.8	267.4	260.0
Diluted										
Weighted average shares outstanding	271.0	268.7	266.1	263.9	262.9	261.3	259.2	256.8	267.4	260.0
Weighted average effects of dilutive securities - stock options and performance shares	2.9	2.4	2.3	2.1	1.9	2.4	2.6	2.2	2.4	2.3
Diluted weighted average shares outstanding	273.9	271.1	268.4	266.0	264.8	263.7	261.8	259.0	269.8	262.3

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Premiums	\$6,537	\$6,695	\$6,882	\$6,945	\$6,855	\$6,988	\$7,179	\$7,250	\$27,059	\$28,272
Net investment income	603	595	646	630	582	648	622	616	2,474	2,468
Fee income	103	112	109	108	109	116	121	113	432	459
Net realized investment gains (losses)	(11)	36	29	60	53	25	23	12	114	113
Other revenues	54	39	57	53	72	57	68	72	203	269
Total revenues	7,286	7,477	7,723	7,796	7,671	7,834	8,013	8,063	30,282	31,581
Claims and expenses										
Claims and claim adjustment expenses	4,296	4,562	4,655	4,778	4,442	4,821	5,230	4,640	18,291	19,133
Amortization of deferred acquisition costs	1,061	1,081	1,117	1,122	1,117	1,134	1,169	1,181	4,381	4,601
General and administrative expenses	1,062	1,113	1,059	1,063	1,057	1,125	1,098	1,085	4,297	4,365
Interest expense	89	90	86	87	88	89	84	83	352	344
Total claims and expenses	6,508	6,846	6,917	7,050	6,704	7,169	7,581	6,989	27,321	28,443
Income before income taxes	778	631	806	746	967	665	432	1,074	2,961	3,138
Income tax expense	109	107	97	125	171	108	36	201	438	516
Net income	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$ 2,523	\$ 2,622
Other-than-temporary impairments (OTTI)										
Total OTTI gains (losses)	\$ —	\$ (1)	\$ —	\$ —	\$ (1)	\$ (1)	\$ —	\$ (1)	\$ (1)	\$ (3)
OTTI losses recognized in net realized investment gains (losses)	\$ —	\$ (1)	\$ —	\$ —	\$ (1)	\$ (1)	\$ —	\$ (2)	\$ (1)	\$ (4)
OTTI gains (losses) recognized in other comprehensive income (loss)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 1
Other statistics										
Effective tax rate on net investment income	14.9%	14.8%	15.4%	15.0%	14.7%	15.4%	15.2%	14.8%	15.0%	15.0%
Net investment income (after-tax)	\$ 513	\$ 507	\$ 547	\$ 535	\$ 496	\$ 548	\$ 528	\$ 525	\$ 2,102	\$ 2,097
Catastrophes, net of reinsurance:										
Pre-tax	\$ 354	\$ 488	\$ 264	\$ 610	\$ 193	\$ 367	\$ 241	\$ 85	\$ 1,716	\$ 886
After-tax	\$ 280	\$ 384	\$ 209	\$ 482	\$ 152	\$ 290	\$ 190	\$ 67	\$ 1,355	\$ 699
Prior year reserve development - favorable (unfavorable):										
Pre-tax	\$ 150	\$ 186	\$ 14	\$ 167	\$ 51	\$ 123	\$ (294)	\$ 60	\$ 517	\$ (60)
After-tax	\$ 119	\$ 148	\$ 10	\$ 132	\$ 41	\$ 99	\$ (232)	\$ 45	\$ 409	\$ (47)

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Underwriting gain (loss)	\$ 222	\$ 61	\$ 194	\$ 99	\$ 307	\$ 52	\$ (101)	\$ 396	\$ 576	\$ 654
Net investment income	513	507	547	535	496	548	528	525	2,102	2,097
Other income (expense), including interest expense	(57)	(74)	(54)	(63)	(48)	(63)	(49)	(54)	(248)	(214)
Core income	678	494	687	571	755	537	378	867	2,430	2,537
Net realized investment gains (losses)	(9)	30	22	50	41	20	18	6	93	85
Net income	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$2,523	\$2,622
Combined ratio (1) (2)										
Loss and loss adjustment expense ratio	64.9 %	67.4 %	66.9 %	68.0 %	64.0 %	68.2 %	72.0%	63.3 %	66.8 %	66.9%
Underwriting expense ratio	30.6 %	30.7 %	29.7 %	29.5 %	29.7 %	30.2 %	29.5%	29.1 %	30.1 %	29.6%
Combined ratio	95.5 %	98.1 %	96.6 %	97.5 %	93.7 %	98.4 %	101.5%	92.4 %	96.9 %	96.5%
Impact on combined ratio:										
Net (favorable) unfavorable prior year reserve development	(2.3)%	(2.8)%	(0.2)%	(2.4)%	(0.7)%	(1.8)%	4.1%	(0.8)%	(1.9)%	0.2%
Catastrophes, net of reinsurance	5.4 %	7.3 %	3.8 %	8.8 %	2.8 %	5.3 %	3.3%	1.1 %	6.3 %	3.1%
Underlying combined ratio	92.4 %	93.6 %	93.0 %	91.1 %	91.6 %	94.9 %	94.1%	92.1 %	92.5 %	93.2%

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Billing and policy fees and other	\$ 23	\$ 22	\$ 24	\$ 24	\$ 27	\$ 26	\$ 28	\$ 27	\$ 93	\$ 108
Fee income:										
Loss and loss adjustment expenses	\$ 37	\$ 40	\$ 38	\$ 39	\$ 40	\$ 45	\$ 47	\$ 42	\$ 154	\$ 174
Underwriting expenses	66	72	71	69	69	71	74	71	278	285
Total fee income	\$ 103	\$ 112	\$ 109	\$ 108	\$ 109	\$ 116	\$ 121	\$ 113	\$ 432	\$ 459
Non-insurance general and administrative expenses	\$ 37	\$ 39	\$ 38	\$ 45	\$ 47	\$ 50	\$ 48	\$ 56	\$ 159	\$ 201

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

(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Premiums	\$6,537	\$6,695	\$6,882	\$6,945	\$6,855	\$6,988	\$7,179	\$7,250	\$27,059	\$28,272
Net investment income	603	595	646	630	582	648	622	616	2,474	2,468
Fee income	103	112	109	108	109	116	121	113	432	459
Other revenues	54	39	57	53	72	57	68	72	203	269
Total revenues	7,297	7,441	7,694	7,736	7,618	7,809	7,990	8,051	30,168	31,468
Claims and expenses										
Claims and claim adjustment expenses	4,296	4,562	4,655	4,778	4,442	4,821	5,230	4,640	18,291	19,133
Amortization of deferred acquisition costs	1,061	1,081	1,117	1,122	1,117	1,134	1,169	1,181	4,381	4,601
General and administrative expenses	1,062	1,113	1,059	1,063	1,057	1,125	1,098	1,085	4,297	4,365
Interest expense	89	90	86	87	88	89	84	83	352	344
Total claims and expenses	6,508	6,846	6,917	7,050	6,704	7,169	7,581	6,989	27,321	28,443
Core income before income taxes	789	595	777	686	914	640	409	1,062	2,847	3,025
Income tax expense	111	101	90	115	159	103	31	195	417	488
Core income	<u>\$ 678</u>	<u>\$ 494</u>	<u>\$ 687</u>	<u>\$ 571</u>	<u>\$ 755</u>	<u>\$ 537</u>	<u>\$ 378</u>	<u>\$ 867</u>	<u>\$ 2,430</u>	<u>\$ 2,537</u>
Other statistics										
Effective tax rate on net investment income	14.9%	14.8%	15.4%	15.0%	14.7%	15.4%	15.2%	14.8%	15.0%	15.0%
Net investment income (after-tax)	\$ 513	\$ 507	\$ 547	\$ 535	\$ 496	\$ 548	\$ 528	\$ 525	\$ 2,102	\$ 2,097
Catastrophes, net of reinsurance:										
Pre-tax	\$ 354	\$ 488	\$ 264	\$ 610	\$ 193	\$ 367	\$ 241	\$ 85	\$ 1,716	\$ 886
After-tax	\$ 280	\$ 384	\$ 209	\$ 482	\$ 152	\$ 290	\$ 190	\$ 67	\$ 1,355	\$ 699
Prior year reserve development - favorable (unfavorable):										
Pre-tax	\$ 150	\$ 186	\$ 14	\$ 167	\$ 51	\$ 123	\$ (294)	\$ 60	\$ 517	\$ (60)
After-tax	\$ 119	\$ 148	\$ 10	\$ 132	\$ 41	\$ 99	\$ (232)	\$ 45	\$ 409	\$ (47)

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$ 7,418	\$ 7,429	\$ 7,462	\$ 6,943	\$ 7,839	\$ 7,824	\$ 8,022	\$ 7,378	\$29,252	\$31,063
Net written premiums	\$ 6,824	\$ 7,131	\$ 7,062	\$ 6,691	\$ 7,057	\$ 7,450	\$ 7,569	\$ 7,075	\$27,708	\$29,151
Net earned premiums	\$ 6,537	\$ 6,695	\$ 6,882	\$ 6,945	\$ 6,855	\$ 6,988	\$ 7,179	\$ 7,250	\$27,059	\$28,272
Losses and loss adjustment expenses	4,245	4,506	4,606	4,719	4,389	4,764	5,166	4,578	18,076	18,897
Underwriting expenses	2,072	2,147	2,082	1,999	2,116	2,217	2,179	2,072	8,300	8,584
Statutory underwriting gain (loss)	220	42	194	227	350	7	(166)	600	683	791
Policyholder dividends	13	12	12	15	13	9	15	10	52	47
Statutory underwriting gain (loss) after policyholder dividends	\$ 207	\$ 30	\$ 182	\$ 212	\$ 337	\$ (2)	\$ (181)	\$ 590	\$ 631	\$ 744
Other statutory statistics										
Reserves for losses and loss adjustment expenses	\$41,669	\$41,861	\$42,293	\$42,409	\$42,581	\$42,979	\$43,624	\$43,743	\$42,409	\$43,743
Increase in reserves	\$ 215	\$ 192	\$ 432	\$ 116	\$ 172	\$ 398	\$ 645	\$ 119	\$ 955	\$ 1,334
Statutory capital and surplus	\$20,533	\$20,371	\$20,462	\$20,774	\$21,074	\$21,080	\$20,780	\$21,330	\$20,774	\$21,330
Net written premiums/surplus (1)	1.29:1	1.33:1	1.34:1	1.33:1	1.33:1	1.34:1	1.38:1	1.37:1	1.33:1	1.37:1

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Written premiums										
Gross	\$ 7,418	\$ 7,429	\$ 7,462	\$ 6,943	\$ 7,839	\$ 7,824	\$ 8,022	\$ 7,378	\$29,252	\$31,063
Ceded	(594)	(298)	(400)	(252)	(782)	(374)	(453)	(303)	(1,544)	(1,912)
Net	\$ 6,824	\$ 7,131	\$ 7,062	\$ 6,691	\$ 7,057	\$ 7,450	\$ 7,569	\$ 7,075	\$27,708	\$29,151
Earned premiums										
Gross	\$ 6,903	\$ 7,060	\$ 7,266	\$ 7,331	\$ 7,282	\$ 7,429	\$ 7,636	\$ 7,723	\$28,560	\$30,070
Ceded	(366)	(365)	(384)	(386)	(427)	(441)	(457)	(473)	(1,501)	(1,798)
Net	\$ 6,537	\$ 6,695	\$ 6,882	\$ 6,945	\$ 6,855	\$ 6,988	\$ 7,179	\$ 7,250	\$27,059	\$28,272

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Premiums	\$3,568	\$3,641	\$3,743	\$3,770	\$3,742	\$3,783	\$3,882	\$3,893	\$14,722	\$15,300
Net investment income	446	440	482	465	427	481	457	451	1,833	1,816
Fee income	99	107	103	103	104	111	114	108	412	437
Other revenues	31	20	33	28	43	30	39	43	112	155
Total revenues	4,144	4,208	4,361	4,366	4,316	4,405	4,492	4,495	17,079	17,708
Claims and expenses										
Claims and claim adjustment expenses	2,392	2,484	2,653	2,642	2,580	2,686	3,028	2,669	10,171	10,963
Amortization of deferred acquisition costs	580	588	610	610	615	618	634	636	2,388	2,503
General and administrative expenses	650	674	648	651	632	686	657	652	2,623	2,627
Total claims and expenses	3,622	3,746	3,911	3,903	3,827	3,990	4,319	3,957	15,182	16,093
Segment income before income taxes	522	462	450	463	489	415	173	538	1,897	1,615
Income tax expense (benefit)	70	77	40	72	75	64	(6)	90	259	223
Segment income	\$ 452	\$ 385	\$ 410	\$ 391	\$ 414	\$ 351	\$ 179	\$ 448	\$ 1,638	\$ 1,392
Other statistics										
Effective tax rate on net investment income	14.7%	14.7%	15.3%	14.9%	14.6%	15.3%	15.1%	14.8%	14.9%	15.0%
Net investment income (after-tax)	\$ 380	\$ 376	\$ 408	\$ 395	\$ 365	\$ 407	\$ 389	\$ 384	\$ 1,559	\$ 1,545
Catastrophes, net of reinsurance:										
Pre-tax	\$ 138	\$ 168	\$ 136	\$ 197	\$ 95	\$ 211	\$ 116	\$ 48	\$ 639	\$ 470
After-tax	\$ 110	\$ 132	\$ 107	\$ 156	\$ 75	\$ 167	\$ 91	\$ 37	\$ 505	\$ 370
Prior year reserve development - favorable (unfavorable):										
Pre-tax	\$ 66	\$ 84	\$ (56)	\$ 48	\$ (21)	\$ 71	\$ (316)	\$ 8	\$ 142	\$ (258)
After-tax	\$ 52	\$ 68	\$ (45)	\$ 38	\$ (16)	\$ 57	\$ (249)	\$ 5	\$ 113	\$ (203)

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Underwriting gain (loss)	\$ 70	\$ 19	\$ 2	\$ 3	\$ 44	\$ (48)	\$ (210)	\$ 65	\$ 94	\$ (149)
Net investment income	380	376	408	395	365	407	389	384	1,559	1,545
Other income (expense)	2	(10)	—	(7)	5	(8)	—	(1)	(15)	(4)
Segment income	\$ 452	\$ 385	\$ 410	\$ 391	\$ 414	\$ 351	\$ 179	\$ 448	\$1,638	\$1,392
Combined ratio (1) (2)										
Loss and loss adjustment expense ratio	65.7 %	66.9 %	69.6%	68.7 %	67.6%	69.6 %	76.6%	67.3 %	67.8 %	70.3%
Underwriting expense ratio	31.8 %	31.9 %	31.0%	30.7 %	30.5%	31.5 %	30.4%	30.2 %	31.3 %	30.6%
Combined ratio	97.5 %	98.8 %	100.6%	99.4 %	98.1%	101.1 %	107.0%	97.5 %	99.1 %	100.9%
Impact on combined ratio:										
Net (favorable) unfavorable prior year reserve development	(1.9)%	(2.3)%	1.5%	(1.2)%	0.6%	(1.9)%	8.1%	(0.2)%	(1.0)%	1.7%
Catastrophes, net of reinsurance	3.9 %	4.6 %	3.7%	5.2 %	2.5%	5.6 %	3.0%	1.3 %	4.4 %	3.0%
Underlying combined ratio	95.5 %	96.5 %	95.4%	95.4 %	95.0%	97.4 %	95.9%	96.4 %	95.7 %	96.2%

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Billing and policy fees and other	\$ 4	\$ 4	\$ 3	\$ 4	\$ 4	\$ 3	\$ 5	\$ 4	\$ 15	\$ 16
Fee income:										
Loss and loss adjustment expenses	\$ 37	\$ 40	\$ 38	\$ 39	\$ 40	\$ 45	\$ 47	\$ 42	\$ 154	\$ 174
Underwriting expenses	62	67	65	64	64	66	67	66	258	263
Total fee income	\$ 99	\$ 107	\$ 103	\$ 103	\$ 104	\$ 111	\$ 114	\$ 108	\$ 412	\$ 437
Non-insurance general and administrative expenses	\$ 28	\$ 30	\$ 29	\$ 37	\$ 38	\$ 41	\$ 39	\$ 43	\$ 124	\$ 161

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$ 4,471	\$ 4,038	\$ 3,992	\$ 3,754	\$ 4,730	\$ 4,193	\$ 4,271	\$ 3,957	\$16,255	\$17,151
Net written premiums	\$ 3,994	\$ 3,781	\$ 3,648	\$ 3,533	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$14,956	\$15,629
Net earned premiums	\$ 3,568	\$ 3,641	\$ 3,743	\$ 3,770	\$ 3,742	\$ 3,783	\$ 3,882	\$ 3,893	\$14,722	\$15,300
Losses and loss adjustment expenses	2,344	2,429	2,606	2,586	2,529	2,631	2,969	2,608	9,965	10,737
Underwriting expenses	1,213	1,196	1,144	1,107	1,226	1,226	1,164	1,133	4,660	4,749
Statutory underwriting gain (loss)	11	16	(7)	77	(13)	(74)	(251)	152	97	(186)
Policyholder dividends	11	9	11	12	11	7	11	7	43	36
Statutory underwriting gain (loss) after policyholder dividends	\$ —	\$ 7	\$ (18)	\$ 65	\$ (24)	\$ (81)	\$ (262)	\$ 145	\$ 54	\$ (222)

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net written premiums by market										
Domestic										
Select Accounts	\$ 773	\$ 729	\$ 666	\$ 660	\$ 785	\$ 756	\$ 695	\$ 675	\$ 2,828	\$ 2,911
Middle Market	2,262	1,985	2,032	1,935	2,410	2,009	2,150	2,061	8,214	8,630
National Accounts	309	231	238	247	304	223	273	251	1,025	1,051
National Property and Other	380	518	485	422	387	588	553	437	1,805	1,965
Total Domestic	3,724	3,463	3,421	3,264	3,886	3,576	3,671	3,424	13,872	14,557
International	270	318	227	269	277	298	218	279	1,084	1,072
Total	\$ 3,994	\$ 3,781	\$ 3,648	\$ 3,533	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$14,956	\$15,629
Net written premiums by product line										
Domestic										
Workers' compensation	\$ 1,190	\$ 935	\$ 887	\$ 828	\$ 1,191	\$ 893	\$ 905	\$ 817	\$ 3,840	\$ 3,806
Commercial automobile	651	629	625	613	719	677	674	666	2,518	2,736
Commercial property	391	536	492	448	389	583	568	474	1,867	2,014
General liability	591	531	559	546	678	548	611	579	2,227	2,416
Commercial multi-peril	896	831	840	823	902	871	885	884	3,390	3,542
Other	5	1	18	6	7	4	28	4	30	43
Total Domestic	3,724	3,463	3,421	3,264	3,886	3,576	3,671	3,424	13,872	14,557
International	270	318	227	269	277	298	218	279	1,084	1,072
Total	\$ 3,994	\$ 3,781	\$ 3,648	\$ 3,533	\$ 4,163	\$ 3,874	\$ 3,889	\$ 3,703	\$14,956	\$15,629

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Premiums	\$ 582	\$ 601	\$ 617	\$ 620	\$ 606	\$ 632	\$ 653	\$ 674	\$2,420	\$2,565
Net investment income	58	57	57	61	56	58	59	60	233	233
Other revenues	6	5	5	7	6	6	7	7	23	26
Total revenues	646	663	679	688	668	696	719	741	2,676	2,824
Claims and expenses										
Claims and claim adjustment expenses	216	175	205	176	266	238	303	287	772	1,094
Amortization of deferred acquisition costs	107	113	117	117	112	118	123	125	454	478
General and administrative expenses	115	116	113	115	117	120	124	122	459	483
Total claims and expenses	438	404	435	408	495	476	550	534	1,685	2,055
Segment income before income taxes	208	259	244	280	173	220	169	207	991	769
Income tax expense	35	55	48	60	35	46	30	40	198	151
Segment income	\$ 173	\$ 204	\$ 196	\$ 220	\$ 138	\$ 174	\$ 139	\$ 167	\$ 793	\$ 618
Other statistics										
Effective tax rate on net investment income	14.5%	14.3%	14.6%	14.8%	14.4%	14.8%	14.9%	13.2%	14.6%	14.3%
Net investment income (after-tax)	\$ 50	\$ 48	\$ 49	\$ 52	\$ 47	\$ 50	\$ 50	\$ 52	\$ 199	\$ 199
Catastrophes, net of reinsurance:										
Pre-tax	\$ —	\$ 5	\$ 4	\$ 7	\$ 3	\$ —	\$ 1	\$ 1	\$ 16	\$ 5
After-tax	\$ —	\$ 4	\$ 3	\$ 6	\$ 2	\$ —	\$ 1	\$ 1	\$ 13	\$ 4
Prior year reserve development - favorable:										
Pre-tax	\$ 35	\$ 89	\$ 53	\$ 89	\$ 3	\$ 39	\$ 3	\$ 20	\$ 266	\$ 65
After-tax	\$ 28	\$ 70	\$ 42	\$ 70	\$ 2	\$ 31	\$ 2	\$ 16	\$ 210	\$ 51

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Underwriting gain	\$ 119	\$ 153	\$ 143	\$ 165	\$ 86	\$ 120	\$ 85	\$ 111	\$ 580	\$ 402
Net investment income	50	48	49	52	47	50	50	52	199	199
Other income	4	3	4	3	5	4	4	4	14	17
Segment income	\$ 173	\$ 204	\$ 196	\$ 220	\$ 138	\$ 174	\$ 139	\$ 167	\$ 793	\$ 618
Combined ratio (1)										
Loss and loss adjustment expense ratio	36.6 %	28.8 %	33.1 %	27.9 %	43.5 %	37.4 %	45.7 %	42.4 %	31.5 %	42.2 %
Underwriting expense ratio	38.1 %	37.7 %	37.1 %	36.9 %	37.6 %	37.5 %	37.6 %	36.2 %	37.5 %	37.3 %
Combined ratio	74.7 %	66.5 %	70.2 %	64.8 %	81.1 %	74.9 %	83.3 %	78.6 %	69.0 %	79.5 %
Impact on combined ratio:										
Net favorable prior year reserve development	(6.0)%	(14.8)%	(8.7)%	(14.4)%	(0.5)%	(6.2)%	(0.5)%	(2.9)%	(11.0)%	(2.5)%
Catastrophes, net of reinsurance	— %	0.8 %	0.6 %	1.1 %	0.5 %	0.1 %	0.2 %	0.2 %	0.6 %	0.2 %
Underlying combined ratio	80.7 %	80.5 %	78.3 %	78.1 %	81.1 %	81.0 %	83.6 %	81.3 %	79.4 %	81.8 %

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Non-insurance general and administrative expenses	\$ —	\$ 2	\$ 1	\$ 2	\$ 1	\$ 1	\$ 1	\$ 2	\$ 5	\$ 5

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$ 638	\$ 674	\$ 673	\$ 680	\$ 662	\$ 747	\$ 770	\$ 752	\$ 2,665	\$ 2,931
Net written premiums	\$ 574	\$ 653	\$ 644	\$ 657	\$ 587	\$ 710	\$ 728	\$ 714	\$ 2,528	\$ 2,739
Net earned premiums	\$ 582	\$ 601	\$ 617	\$ 620	\$ 606	\$ 632	\$ 653	\$ 674	\$ 2,420	\$ 2,565
Losses and loss adjustment expenses	213	173	204	173	264	236	298	286	763	1,084
Underwriting expenses	232	234	232	231	233	251	261	242	929	987
Statutory underwriting gain	137	194	181	216	109	145	94	146	728	494
Policyholder dividends	2	3	1	3	2	2	4	3	9	11
Statutory underwriting gain after policyholder dividends	\$ 135	\$ 191	\$ 180	\$ 213	\$ 107	\$ 143	\$ 90	\$ 143	\$ 719	\$ 483

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net written premiums by market										
Domestic										
Management Liability	\$ 348	\$ 362	\$ 379	\$ 366	\$ 367	\$ 403	\$ 424	\$ 411	\$1,455	\$1,605
Surety	185	235	217	198	184	244	232	206	835	866
Total Domestic	533	597	596	564	551	647	656	617	2,290	2,471
International	41	56	48	93	36	63	72	97	238	268
Total	\$ 574	\$ 653	\$ 644	\$ 657	\$ 587	\$ 710	\$ 728	\$ 714	\$2,528	\$2,739
Net written premiums by product line										
Domestic										
Fidelity & surety	\$ 241	\$ 285	\$ 273	\$ 250	\$ 239	\$ 298	\$ 292	\$ 260	\$1,049	\$1,089
General liability	244	264	261	268	262	292	293	301	1,037	1,148
Other	48	48	62	46	50	57	71	56	204	234
Total Domestic	533	597	596	564	551	647	656	617	2,290	2,471
International	41	56	48	93	36	63	72	97	238	268
Total	\$ 574	\$ 653	\$ 644	\$ 657	\$ 587	\$ 710	\$ 728	\$ 714	\$2,528	\$2,739

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

The Travelers Companies, Inc.
Segment Income (Loss) - Personal Insurance



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Premiums	\$2,387	\$2,453	\$2,522	\$2,555	\$2,507	\$2,573	\$2,644	\$2,683	\$9,917	\$10,407
Net investment income	99	98	107	104	99	109	106	105	408	419
Fee income	4	5	6	5	5	5	7	5	20	22
Other revenues	17	14	17	18	22	21	22	22	66	87
Total revenues	2,507	2,570	2,652	2,682	2,633	2,708	2,779	2,815	10,411	10,935
Claims and expenses										
Claims and claim adjustment expenses	1,688	1,903	1,797	1,960	1,596	1,897	1,899	1,684	7,348	7,076
Amortization of deferred acquisition costs	374	380	390	395	390	398	412	420	1,539	1,620
General and administrative expenses	288	316	290	291	300	311	309	300	1,185	1,220
Total claims and expenses	2,350	2,599	2,477	2,646	2,286	2,606	2,620	2,404	10,072	9,916
Segment income (loss) before income taxes	157	(29)	175	36	347	102	159	411	339	1,019
Income tax expense (benefit)	28	(12)	22	4	69	14	28	84	42	195
Segment income (loss)	\$ 129	\$ (17)	\$ 153	\$ 32	\$ 278	\$ 88	\$ 131	\$ 327	\$ 297	\$ 824
Other statistics										
Effective tax rate on net investment income	15.6%	15.6%	16.1%	15.7%	15.4%	16.1%	15.8%	15.6%	15.8%	15.8%
Net investment income (after-tax)	\$ 83	\$ 83	\$ 90	\$ 88	\$ 84	\$ 91	\$ 89	\$ 89	\$ 344	\$ 353
Catastrophes, net of reinsurance:										
Pre-tax	\$ 216	\$ 315	\$ 124	\$ 406	\$ 95	\$ 156	\$ 124	\$ 36	\$1,061	\$ 411
After-tax	\$ 170	\$ 248	\$ 99	\$ 320	\$ 75	\$ 123	\$ 98	\$ 29	\$ 837	\$ 325
Prior year reserve development - favorable:										
Pre-tax	\$ 49	\$ 13	\$ 17	\$ 30	\$ 69	\$ 13	\$ 19	\$ 32	\$ 109	\$ 133
After-tax	\$ 39	\$ 10	\$ 13	\$ 24	\$ 55	\$ 11	\$ 15	\$ 24	\$ 86	\$ 105

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

Segment Income (Loss) by Major Component and Combined Ratio - Personal Insurance

(\$ in millions, net of tax)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Underwriting gain (loss)	\$ 33	\$ (111)	\$ 49	\$ (69)	\$177	\$ (20)	\$ 24	\$220	\$ (98)	\$401
Net investment income	83	83	90	88	84	91	89	89	344	353
Other income	13	11	14	13	17	17	18	18	51	70
Segment income (loss)	\$129	\$ (17)	\$153	\$ 32	\$278	\$ 88	\$131	\$327	\$ 297	\$824
Combined ratio (1)										
Loss and loss adjustment expense ratio	70.7 %	77.6 %	71.2 %	76.8 %	63.7 %	73.7 %	71.8 %	62.8 %	74.1 %	68.0 %
Underwriting expense ratio	26.8 %	27.3 %	26.0 %	25.8 %	26.4 %	26.5 %	26.2 %	25.7 %	26.5 %	26.2 %
Combined ratio	97.5 %	104.9 %	97.2 %	102.6 %	90.1 %	100.2 %	98.0 %	88.5 %	100.6 %	94.2 %
<i>Domestic Agency combined ratio</i>	96.5 %	103.6 %	95.4 %	101.9 %	88.9 %	98.8 %	97.2 %	88.2 %	99.4 %	93.3 %
Impact on combined ratio:										
Net favorable prior year reserve development	(2.0)%	(0.5)%	(0.6)%	(1.1)%	(2.8)%	(0.5)%	(0.7)%	(1.2)%	(1.1)%	(1.3)%
Catastrophes, net of reinsurance	9.0 %	12.8 %	4.9 %	15.9 %	3.8 %	6.1 %	4.7 %	1.3 %	10.7 %	4.0 %
Underlying combined ratio	90.5 %	92.6 %	92.9 %	87.8 %	89.1 %	94.6 %	94.0 %	88.4 %	91.0 %	91.5 %

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Billing and policy fees and other	\$ 19	\$ 18	\$ 21	\$ 20	\$ 23	\$ 23	\$ 23	\$ 23	\$ 78	\$ 92
Fee income	\$ 4	\$ 5	\$ 6	\$ 5	\$ 5	\$ 5	\$ 7	\$ 5	\$ 20	\$ 22

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$ 2,309	\$ 2,717	\$ 2,797	\$ 2,509	\$ 2,447	\$ 2,884	\$ 2,981	\$ 2,669	\$10,332	\$10,981
Net written premiums	\$ 2,256	\$ 2,697	\$ 2,770	\$ 2,501	\$ 2,307	\$ 2,866	\$ 2,952	\$ 2,658	\$10,224	\$10,783
Net earned premiums	\$ 2,387	\$ 2,453	\$ 2,522	\$ 2,555	\$ 2,507	\$ 2,573	\$ 2,644	\$ 2,683	\$ 9,917	\$10,407
Losses and loss adjustment expenses	1,688	1,904	1,796	1,960	1,596	1,897	1,899	1,684	7,348	7,076
Underwriting expenses	627	717	706	661	657	740	754	697	2,711	2,848
Statutory underwriting gain (loss)	\$ 72	\$ (168)	\$ 20	\$ (66)	\$ 254	\$ (64)	\$ (9)	\$ 302	\$ (142)	\$ 483
Policies in force (in thousands)										
Automobile	2,976	2,981	2,986	2,983	2,981	2,980	2,979	2,973	2,983	2,973
Homeowners and Other	4,879	4,961	5,037	5,087	5,163	5,263	5,361	5,444	5,087	5,444

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net written premiums by market										
Domestic										
Agency										
Automobile	\$ 1,183	\$ 1,258	\$ 1,305	\$ 1,226	\$ 1,224	\$ 1,300	\$ 1,347	\$ 1,253	\$ 4,972	\$ 5,124
Homeowners and Other	832	1,137	1,168	1,011	837	1,258	1,300	1,145	4,148	4,540
Total Agency	2,015	2,395	2,473	2,237	2,061	2,558	2,647	2,398	9,120	9,664
Direct-to-Consumer	92	99	108	97	95	103	115	99	396	412
Total Domestic	2,107	2,494	2,581	2,334	2,156	2,661	2,762	2,497	9,516	10,076
International	149	203	189	167	151	205	190	161	708	707
Total	\$ 2,256	\$ 2,697	\$ 2,770	\$ 2,501	\$ 2,307	\$ 2,866	\$ 2,952	\$ 2,658	\$10,224	\$10,783

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$1,192	\$1,265	\$1,310	\$1,231	\$1,240	\$1,304	\$1,352	\$1,258	\$4,998	\$5,154
Net written premiums	\$1,183	\$1,258	\$1,305	\$1,226	\$1,224	\$1,300	\$1,347	\$1,253	\$4,972	\$5,124
Net earned premiums	\$1,158	\$1,192	\$1,227	\$1,242	\$1,228	\$1,249	\$1,271	\$1,276	\$4,819	\$5,024
Losses and loss adjustment expenses	823	851	840	900	810	876	891	971	3,414	3,548
Underwriting expenses	285	299	297	288	296	312	310	299	1,169	1,217
Statutory underwriting gain	\$ 50	\$ 42	\$ 90	\$ 54	\$ 122	\$ 61	\$ 70	\$ 6	\$ 236	\$ 259
Other statistics										
Combined ratio (2):										
Loss and loss adjustment expense ratio	71.1 %	71.4 %	68.5 %	72.5 %	66.0 %	70.1 %	70.1 %	76.1 %	70.8 %	70.7 %
Underwriting expense ratio	23.7 %	24.0 %	22.8 %	22.8 %	23.4 %	23.9 %	22.9 %	23.1 %	23.4 %	23.3 %
Combined ratio	94.8 %	95.4 %	91.3 %	95.3 %	89.4 %	94.0 %	93.0 %	99.2 %	94.2 %	94.0 %
Impact on combined ratio:										
Net favorable prior year reserve development	(2.3)%	(2.8)%	(1.8)%	(1.9)%	(3.4)%	(1.1)%	(0.5)%	(0.5)%	(2.2)%	(1.3)%
Catastrophes, net of reinsurance	0.8 %	2.7 %	0.5 %	0.3 %	0.7 %	1.3 %	0.8 %	0.1 %	1.1 %	0.7 %
Underlying combined ratio	96.3 %	95.5 %	92.6 %	96.9 %	92.1 %	93.8 %	92.7 %	99.6 %	95.3 %	94.6 %
Catastrophe losses, net of reinsurance:										
Pre-tax	\$ 10	\$ 32	\$ 6	\$ 4	\$ 9	\$ 16	\$ 11	\$ 1	\$ 52	\$ 37
After-tax	\$ 8	\$ 25	\$ 5	\$ 3	\$ 7	\$ 13	\$ 8	\$ 1	\$ 41	\$ 29
Prior year reserve development - favorable:										
Pre-tax	\$ 27	\$ 34	\$ 22	\$ 24	\$ 42	\$ 13	\$ 5	\$ 6	\$ 107	\$ 66
After-tax	\$ 21	\$ 27	\$ 18	\$ 19	\$ 33	\$ 10	\$ 5	\$ 4	\$ 85	\$ 52
Policies in force (in thousands)	2,519	2,517	2,518	2,518	2,516	2,517	2,524	2,532		
Change from prior year quarter	1.5 %	0.1 %	(0.4)%	(0.4)%	(0.1)%	— %	0.2 %	0.6 %		
Change from prior quarter	(0.4)%	(0.1)%	— %	— %	(0.1)%	— %	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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Billing and policy fees and other	\$ 10	\$ 10	\$ 11	\$ 11	\$ 12	\$ 12	\$ 12	\$ 11	\$ 42	\$ 47
Fee income	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 4	\$ 3	\$ 12	\$ 13

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory underwriting										
Gross written premiums	\$ 873	\$1,148	\$1,180	\$1,012	\$ 954	\$1,268	\$1,316	\$1,147	\$4,213	\$4,685
Net written premiums	\$ 832	\$1,137	\$1,168	\$1,011	\$ 837	\$1,258	\$1,300	\$1,145	\$4,148	\$4,540
Net earned premiums	\$ 972	\$ 996	\$1,025	\$1,038	\$1,011	\$1,050	\$1,089	\$1,125	\$4,031	\$4,275
Losses and loss adjustment expenses	687	841	746	857	604	801	801	542	3,131	2,748
Underwriting expenses	255	320	313	281	277	335	349	314	1,169	1,275
Statutory underwriting gain (loss)	\$ 30	\$ (165)	\$ (34)	\$ (100)	\$ 130	\$ (86)	\$ (61)	\$ 269	\$ (269)	\$ 252
Other statistics										
Combined ratio (2):										
Loss and loss adjustment expense ratio	70.7 %	84.4%	72.8%	82.6 %	59.8 %	76.3 %	73.6 %	48.2 %	77.7%	64.3 %
Underwriting expense ratio	27.8 %	29.2%	27.5%	27.2 %	28.4 %	28.2 %	28.4 %	27.6 %	27.9%	28.2 %
Combined ratio	98.5 %	113.6%	100.3%	109.8 %	88.2 %	104.5 %	102.0 %	75.8 %	105.6%	92.5 %
Impact on combined ratio:										
Net (favorable) unfavorable prior year reserve development	(2.4)%	2.2%	0.7%	(0.6)%	(2.4)%	(1.3)%	(1.4)%	(0.8)%	—%	(1.4)%
Catastrophes, net of reinsurance	20.7 %	26.2%	11.1%	37.9 %	8.0 %	12.9 %	9.9 %	3.0 %	24.0%	8.3 %
Underlying combined ratio	80.2 %	85.2%	88.5%	72.5 %	82.6 %	92.9 %	93.5 %	73.6 %	81.6%	85.6 %
Catastrophe losses, net of reinsurance:										
Pre-tax	\$ 201	\$ 262	\$ 114	\$ 394	\$ 80	\$ 136	\$ 107	\$ 34	\$ 971	\$ 357
After-tax	\$ 159	\$ 207	\$ 90	\$ 311	\$ 63	\$ 107	\$ 85	\$ 27	\$ 767	\$ 282
Prior year reserve development - favorable (unfavorable):										
Pre-tax	\$ 24	\$ (22)	\$ (7)	\$ 6	\$ 25	\$ 13	\$ 15	\$ 9	\$ 1	\$ 62
After-tax	\$ 19	\$ (17)	\$ (6)	\$ 5	\$ 19	\$ 11	\$ 12	\$ 7	\$ 1	\$ 49
Policies in force (in thousands)	4,453	4,530	4,601	4,652	4,726	4,825	4,927	5,016		
Change from prior year quarter	5.5 %	5.8%	5.7%	5.7 %	6.1 %	6.5 %	7.1 %	7.8 %		
Change from prior quarter	1.2 %	1.7%	1.6%	1.1%	1.6 %	2.1 %	2.1 %	1.8 %		

(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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Billing and policy fees and other	\$ 6	\$ 7	\$ 7	\$ 7	\$ 8	\$ 8	\$ 8	\$ 8	\$ 27	\$ 32
Fee income	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 3	\$ 2	\$ 8	\$ 9

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)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Revenues										
Other revenues	\$ —	\$ —	\$ 2	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 2	\$ 1
Claims and expenses										
Interest expense	89	90	86	87	88	89	84	83	352	344
General and administrative expenses	9	7	8	6	8	8	8	11	30	35
Total claims and expenses	98	97	94	93	96	97	92	94	382	379
Loss before income tax benefit	(98)	(97)	(92)	(93)	(95)	(97)	(92)	(94)	(380)	(378)
Income tax benefit	(22)	(19)	(20)	(21)	(20)	(21)	(21)	(19)	(82)	(81)
Loss	\$ (76)	\$ (78)	\$ (72)	\$ (72)	\$ (75)	\$ (76)	\$ (71)	\$ (75)	\$ (298)	\$ (297)

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)	December 31, 2019 (1)	December 31, 2018
Assets		
Fixed maturities, available for sale, at fair value (amortized cost \$65,281 and \$63,601)	\$ 68,134	\$ 63,464
Equity securities, at fair value (cost \$376 and \$382)	425	368
Real estate investments	963	904
Short-term securities	4,943	3,985
Other investments	3,419	3,557
Total investments	77,884	72,278
Cash	494	373
Investment income accrued	618	624
Premiums receivable	7,909	7,506
Reinsurance recoverables	8,235	8,370
Ceded unearned premiums	689	578
Deferred acquisition costs	2,273	2,120
Deferred taxes	—	445
Contractholder receivables	4,619	4,785
Goodwill	3,961	3,937
Other intangible assets	330	345
Other assets	3,110	2,872
Total assets	\$ 110,122	\$ 104,233
Liabilities		
Claims and claim adjustment expense reserves	\$ 51,849	\$ 50,668
Unearned premium reserves	14,604	13,555
Contractholder payables	4,619	4,785
Payables for reinsurance premiums	363	289
Deferred taxes	137	—
Debt	6,558	6,564
Other liabilities	6,049	5,478
Total liabilities	84,179	81,339
Shareholders' equity		
Common stock (1,750.0 shares authorized; 255.5 and 263.7 shares issued, 255.5 and 263.6 shares outstanding)	23,469	23,144
Retained earnings	36,977	35,204
Accumulated other comprehensive income (loss)	640	(1,859)
Treasury stock, at cost (522.1 and 510.9 shares)	(35,143)	(33,595)
Total shareholders' equity	25,943	22,894
Total liabilities and shareholders' equity	\$ 110,122	\$ 104,233

(1) Preliminary

The Travelers Companies, Inc.
Investment Portfolio



(at carrying value, \$ in millions)

	December 31, 2019	Pre- tax Book Yield (1)	December 31, 2018	Pre- tax Book Yield (1)
Investment portfolio				
Taxable fixed maturities (including redeemable preferred stock)	\$ 38,570	3.17%	\$ 35,150	3.23%
Tax-exempt fixed maturities	29,564	3.12%	28,314	3.18%
Total fixed maturities	68,134	3.15%	63,464	3.21%
Non-redeemable preferred stocks	42	5.04%	52	4.86%
Public common stocks	383		316	
Total equity securities	425		368	
Real estate investments	963		904	
Short-term securities	4,943	1.82%	3,985	2.54%
Private equities	2,236		2,293	
Hedge funds	186		222	
Real estate partnerships	658		675	
Other investments	339		367	
Total other investments	3,419		3,557	
Total investments	\$ 77,884		\$ 72,278	
Net unrealized investment gains (losses), net of tax, included in shareholders' equity	\$ 2,246		\$ (113)	

(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)	December 31, 2019	December 31, 2018
Fixed maturities		
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 2,095	\$ 2,064
Obligations of states and political subdivisions:		
Pre-refunded	2,056	2,852
All other	27,861	25,759
Total	29,917	28,611
Debt securities issued by foreign governments	1,173	1,257
Mortgage-backed securities - principally obligations of U.S. Government agencies	3,280	2,573
Corporates (including redeemable preferreds)	31,669	28,959
Total fixed maturities	\$ 68,134	\$ 63,464

**Fixed Maturities
Quality Characteristics (1)**

	December 31, 2019		December 31, 2018	
	Amount	% of Total	Amount	% of Total
Quality Ratings				
Aaa	\$ 29,164	42.9%	\$ 26,089	41.1%
Aa	15,819	23.2	16,027	25.3
A	12,148	17.8	10,539	16.6
Baa	9,541	14.0	9,334	14.7
Total investment grade	66,672	97.9	61,989	97.7
Ba	846	1.2	912	1.4
B	511	0.7	466	0.7
Caa and lower	105	0.2	97	0.2
Total below investment grade	1,462	2.1	1,475	2.3
Total fixed maturities	\$ 68,134	100.0%	\$ 63,464	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	4.0		4.5	

(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.

The Travelers Companies, Inc.
Investment Income



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Gross investment income										
Fixed maturities	\$ 481	\$ 489	\$ 498	\$ 512	\$ 511	\$ 514	\$ 520	\$ 525	\$1,980	\$2,070
Short-term securities	19	21	25	27	28	27	26	24	92	105
Other	113	94	134	100	53	118	85	77	441	333
	613	604	657	639	592	659	631	626	2,513	2,508
Investment expenses	10	9	11	9	10	11	9	10	39	40
Net investment income, pre-tax	603	595	646	630	582	648	622	616	2,474	2,468
Income taxes	90	88	99	95	86	100	94	91	372	371
Net investment income, after-tax	\$ 513	\$ 507	\$ 547	\$ 535	\$ 496	\$ 548	\$ 528	\$ 525	\$2,102	\$2,097
Effective tax rate	14.9%	14.8%	15.4%	15.0%	14.7%	15.4%	15.2%	14.8%	15.0%	15.0%
Average invested assets (1)	\$72,524	\$72,618	\$73,059	\$73,758	\$74,040	\$74,370	\$74,910	\$75,996	\$73,031	\$74,866
Average yield pre-tax (1)	3.3%	3.3%	3.5%	3.4%	3.1%	3.5%	3.3%	3.2%	3.4%	3.3%
Average yield after-tax	2.8%	2.8%	3.0%	2.9%	2.7%	2.9%	2.8%	2.8%	2.9%	2.8%

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

Net Realized and Unrealized Investment Gains (Losses) included in Shareholders' Equity

(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Net realized investment gains (losses)										
Fixed maturities	\$ —	\$ 12	\$ 18	\$ 2	\$ 16	\$ 13	\$ 14	\$ 12	\$ 32	\$ 55
Equity securities	(14)	12	6	(37)	41	10	8	14	(33)	73
Other (1)	3	12	5	95	(4)	2	1	(14)	115	(15)
Realized investment gains (losses) before tax	(11)	36	29	60	53	25	23	12	114	113
Related taxes	(2)	6	7	10	12	5	5	6	21	28
Net realized investment gains (losses)	\$ (9)	\$ 30	\$ 22	\$ 50	\$ 41	\$ 20	\$ 18	\$ 6	\$ 93	\$ 85
Gross investment gains (1)	\$ 26	\$ 63	\$ 41	\$ 105	\$ 65	\$ 31	\$ 30	\$ 32	\$ 235	\$ 158
Gross investment losses before impairments (1)	(37)	(26)	(12)	(45)	(11)	(5)	(7)	(18)	(120)	(41)
Net investment gains (losses) before impairments	(11)	37	29	60	54	26	23	14	115	117
Other-than-temporary impairment losses	—	(1)	—	—	(1)	(1)	—	(2)	(1)	(4)
Net realized investment gains (losses) before tax	(11)	36	29	60	53	25	23	12	114	113
Related taxes	(2)	6	7	10	12	5	5	6	21	28
Net realized investment gains (losses)	\$ (9)	\$ 30	\$ 22	\$ 50	\$ 41	\$ 20	\$ 18	\$ 6	\$ 93	\$ 85
(\$ in millions)	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019		
Net unrealized investment gains (losses), net of tax, included in shareholders' equity, by asset type										
Fixed maturities	\$ 173	\$ (138)	\$ (561)	\$ (137)	\$ 1,284	\$ 2,388	\$ 2,990	\$ 2,853		
Equity securities & other	2	3	1	—	—	1	1	—		
Unrealized investment gains (losses) before tax	175	(135)	(560)	(137)	1,284	2,389	2,991	2,853		
Related taxes	42	(23)	(113)	(24)	277	511	637	607		
Balance, end of period	\$ 133	\$ (112)	\$ (447)	\$ (113)	\$ 1,007	\$ 1,878	\$ 2,354	\$ 2,246		

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

Gross investment Treasury future gains	\$ 25	\$ 11	\$ 7	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 43	\$ 1
Gross investment Treasury future losses	\$ 14	\$ 8	\$ 5	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 27	\$ 1

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

The Travelers Companies, Inc.
Reinsurance Recoverables



(\$ in millions)

	December 31, 2019	December 31, 2018
Gross reinsurance recoverables on paid and unpaid claims and claim adjustment expenses	\$ 3,476	\$ 3,485
Allowance for uncollectible reinsurance	(92)	(110)
Net reinsurance recoverables (i)	3,384	3,375
Mandatory pools and associations (ii)	1,886	2,005
Structured settlements (iii)	2,965	2,990
Total reinsurance recoverables	\$ 8,235	\$ 8,370

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

Reinsurer	A.M. Best Rating of Group's Predominant Reinsurer	December 31, 2019
Swiss Re Group	A+ second highest of 16 ratings	\$ 457
Berkshire Hathaway	A++ highest of 16 ratings	347
Munich Re Group	A+ second highest of 16 ratings	289
Axa Group	A+ second highest of 16 ratings	170
Alleghany Group	A+ second highest of 16 ratings	141

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

The net reinsurance recoverables reflect an allowance for uncollectible reinsurance that is based upon the Company's ongoing review of amounts outstanding, reinsurer solvency, the Company's experience, current economic conditions, and other relevant factors. Of the total net recoverables due from reinsurers at December 31, 2019, after deducting mandatory pools and associations and structured settlement balances, \$2.8 billion, or 82%, were rated by A.M. Best Company. Of the total rated by A.M. Best Company, 99.9% were rated A- or better. The remaining 18% of net recoverables from reinsurers were comprised of the following: 3% related to the Company's participation in voluntary pools, 11% related to recoverables from captive insurance companies and 4% were balances from other companies not rated by A.M. Best Company. In addition, \$0.8 billion of the net recoverables were collateralized by letters of credit, funds held or trust agreements at December 31, 2019.

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

(iii) Included in reinsurance recoverables are certain amounts related to structured settlements, which comprise annuities purchased from various life insurance companies to settle certain personal physical injury claims, of which workers' compensation claims comprise a significant portion. In cases where the Company did not receive a release from the claimant, the amount due from the life insurance company related to the structured settlement is included in the Company's consolidated balance sheet as a liability and as a reinsurance recoverable, as the Company retains the contingent liability to pay the claimant in the event that the life insurance company fails to make the required annuity payments. The Company would be required to make such payments, to the extent the purchased annuities are not covered by state guaranty associations.

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

Group	A.M. Best Rating of Group's Predominant Insurer	December 31, 2019
Fidelity & Guaranty Life Group	A- fourth highest of 16 ratings	\$ 777
Genworth Financial Group (1)	B seventh highest of 16 ratings	338
John Hancock Group	A+ second highest of 16 ratings	272
Brighthouse Financial, Inc.	A third highest of 16 ratings	248
Symetra Financial Corporation	A third highest of 16 ratings	241

(1) 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 December 23, 2019, the parties agreed to extend the closing deadline for the transaction until March 31, 2020.

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



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Statutory Reserves for Losses and Loss Adjustment Expenses										
Business Insurance										
Beginning of period	\$33,107	\$33,292	\$33,369	\$33,773	\$33,857	\$34,086	\$34,377	\$34,963	\$33,107	\$33,857
Incurred	2,344	2,429	2,606	2,586	2,529	2,631	2,969	2,608	9,965	10,737
Paid	(2,163)	(2,298)	(2,207)	(2,454)	(2,320)	(2,345)	(2,354)	(2,482)	(9,122)	(9,501)
Foreign exchange and other	4	(54)	5	(48)	20	5	(29)	53	(93)	49
End of period	<u>\$33,292</u>	<u>\$33,369</u>	<u>\$33,773</u>	<u>\$33,857</u>	<u>\$34,086</u>	<u>\$34,377</u>	<u>\$34,963</u>	<u>\$35,142</u>	<u>\$33,857</u>	<u>\$35,142</u>
Bond & Specialty Insurance										
Beginning of period	\$ 3,187	\$ 3,207	\$ 3,111	\$ 3,057	\$ 2,987	\$ 3,068	\$ 3,042	\$ 3,074	\$ 3,187	\$ 2,987
Incurred	213	173	204	173	264	236	298	286	763	1,084
Paid	(201)	(248)	(258)	(230)	(189)	(260)	(256)	(290)	(937)	(995)
Foreign exchange and other	8	(21)	—	(13)	6	(2)	(10)	24	(26)	18
End of period	<u>\$ 3,207</u>	<u>\$ 3,111</u>	<u>\$ 3,057</u>	<u>\$ 2,987</u>	<u>\$ 3,068</u>	<u>\$ 3,042</u>	<u>\$ 3,074</u>	<u>\$ 3,094</u>	<u>\$ 2,987</u>	<u>\$ 3,094</u>
Personal Insurance										
Beginning of period	\$ 5,160	\$ 5,170	\$ 5,381	\$ 5,463	\$ 5,565	\$ 5,427	\$ 5,560	\$ 5,587	\$ 5,160	\$ 5,565
Incurred	1,688	1,904	1,796	1,960	1,596	1,897	1,899	1,684	7,348	7,076
Paid	(1,655)	(1,676)	(1,728)	(1,815)	(1,751)	(1,781)	(1,862)	(1,782)	(6,874)	(7,176)
Foreign exchange and other	(23)	(17)	14	(43)	17	17	(10)	18	(69)	42
End of period	<u>\$ 5,170</u>	<u>\$ 5,381</u>	<u>\$ 5,463</u>	<u>\$ 5,565</u>	<u>\$ 5,427</u>	<u>\$ 5,560</u>	<u>\$ 5,587</u>	<u>\$ 5,507</u>	<u>\$ 5,565</u>	<u>\$ 5,507</u>
Total										
Beginning of period	\$41,454	\$41,669	\$41,861	\$42,293	\$42,409	\$42,581	\$42,979	\$43,624	\$41,454	\$42,409
Incurred	4,245	4,506	4,606	4,719	4,389	4,764	5,166	4,578	18,076	18,897
Paid	(4,019)	(4,222)	(4,193)	(4,499)	(4,260)	(4,386)	(4,472)	(4,554)	(16,933)	(17,672)
Foreign exchange and other	(11)	(92)	19	(104)	43	20	(49)	95	(188)	109
End of period	<u>\$41,669</u>	<u>\$41,861</u>	<u>\$42,293</u>	<u>\$42,409</u>	<u>\$42,581</u>	<u>\$42,979</u>	<u>\$43,624</u>	<u>\$43,743</u>	<u>\$42,409</u>	<u>\$43,743</u>
Prior Year Reserve Development: Unfavorable (Favorable)										
Business Insurance										
Asbestos	\$ —	\$ —	\$ 225	\$ —	\$ —	\$ —	\$ 220	\$ —	\$ 225	\$ 220
Environmental	—	55	—	—	—	60	8	8	55	76
All other	(66)	(139)	(169)	(48)	21	(131)	88	(16)	(422)	(38)
Total Business Insurance (1)	(66)	(84)	56	(48)	21	(71)	316	(8)	(142)	258
Bond & Specialty Insurance	(35)	(89)	(53)	(89)	(3)	(39)	(3)	(20)	(266)	(65)
Personal Insurance	(49)	(13)	(17)	(30)	(69)	(13)	(19)	(32)	(109)	(133)
Total	<u>\$ (150)</u>	<u>\$ (186)</u>	<u>\$ (14)</u>	<u>\$ (167)</u>	<u>\$ (51)</u>	<u>\$ (123)</u>	<u>\$ 294</u>	<u>\$ (60)</u>	<u>\$ (517)</u>	<u>\$ 60</u>

(1) Excludes accretion of discount.

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

The Travelers Companies, Inc.
Asbestos and Environmental Reserves



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Asbestos reserves										
Beginning reserves:										
Gross	\$ 1,538	\$ 1,483	\$ 1,408	\$ 1,681	\$ 1,608	\$ 1,564	\$ 1,474	\$ 1,685	\$ 1,538	\$ 1,608
Ceded	(257)	(234)	(225)	(336)	(327)	(321)	(295)	(334)	(257)	(327)
Net	1,281	1,249	1,183	1,345	1,281	1,243	1,179	1,351	1,281	1,281
Incurred losses and loss expenses:										
Gross	—	—	343	—	—	—	268	—	343	268
Ceded	—	—	(118)	—	—	—	(48)	—	(118)	(48)
Paid loss and loss expenses:										
Gross	56	74	70	73	44	90	57	86	273	277
Ceded	(23)	(9)	(7)	(9)	(6)	(26)	(9)	(12)	(48)	(53)
Foreign exchange and other:										
Gross	1	(1)	—	—	—	—	—	2	—	2
Ceded	—	—	—	—	—	—	—	—	—	—
Ending reserves:										
Gross	1,483	1,408	1,681	1,608	1,564	1,474	1,685	1,601	1,608	1,601
Ceded	(234)	(225)	(336)	(327)	(321)	(295)	(334)	(322)	(327)	(322)
Net	\$ 1,249	\$ 1,183	\$ 1,345	\$ 1,281	\$ 1,243	\$ 1,179	\$ 1,351	\$ 1,279	\$ 1,281	\$ 1,279
Environmental reserves										
Beginning reserves:										
Gross	\$ 373	\$ 356	\$ 413	\$ 397	\$ 358	\$ 338	\$ 388	\$ 374	\$ 373	\$ 358
Ceded	(13)	(9)	(25)	(25)	(24)	(24)	(29)	(29)	(13)	(24)
Net	360	347	388	372	334	314	359	345	360	334
Incurred losses and loss expenses:										
Gross	—	71	—	—	—	67	8	9	71	84
Ceded	—	(16)	—	—	—	(7)	—	(1)	(16)	(8)
Paid loss and loss expenses:										
Gross	17	13	17	39	20	16	22	34	86	92
Ceded	(4)	—	—	(2)	—	(1)	—	(1)	(6)	(2)
Foreign exchange and other:										
Gross	—	(1)	1	—	—	(1)	—	1	—	—
Ceded	—	—	—	(1)	—	1	—	—	(1)	1
Ending reserves:										
Gross	356	413	397	358	338	388	374	350	358	350
Ceded	(9)	(25)	(25)	(24)	(24)	(29)	(29)	(29)	(24)	(29)
Net	\$ 347	\$ 388	\$ 372	\$ 334	\$ 314	\$ 359	\$ 345	\$ 321	\$ 334	\$ 321

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

(\$ in millions)	December 31, 2019	December 31, 2018
Debt		
Short-term debt		
Commercial paper	\$ 100	\$ 100
5.90% Senior notes due June 2, 2019	—	500
3.90% Senior notes due November 1, 2020 (1)	500	—
Total short-term debt	600	600
Long-term debt		
3.90% Senior notes due November 1, 2020 (1)	—	500
7.75% Senior notes due April 15, 2026	200	200
7.625% Junior subordinated debentures due December 15, 2027	125	125
6.375% Senior notes due March 15, 2033 (1)	500	500
6.75% Senior notes due June 20, 2036 (1)	400	400
6.25% Senior notes due June 15, 2037 (1)	800	800
5.35% Senior notes due November 1, 2040 (1)	750	750
4.60% Senior notes due August 1, 2043 (1)	500	500
4.30% Senior notes due August 25, 2045 (1)	400	400
8.50% Junior subordinated debentures due December 15, 2045	56	56
3.75% Senior notes due May 15, 2046 (1)	500	500
8.312% Junior subordinated debentures due July 1, 2046	73	73
4.00% Senior notes due May 30, 2047 (1)	700	700
4.05% Senior notes due March 7, 2048 (1)	500	500
4.10% Senior notes due March 4, 2049 (1)	500	—
Total long-term debt	6,004	6,004
Unamortized fair value adjustment	43	44
Unamortized debt issuance costs	(89)	(84)
	5,958	5,964
Total debt	6,558	6,564
Common equity (excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity)	23,697	23,007
Total capital (excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity)	\$ 30,255	\$ 29,571
Total debt to capital (excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity)	21.7%	22.2%

(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)	December 31, 2019 (1)	December 31, 2018
Statutory capital and surplus	\$ 21,330	\$ 20,774
GAAP adjustments		
Goodwill and intangible assets	3,589	3,600
Investments	3,130	252
Noninsurance companies	(4,111)	(4,234)
Deferred acquisition costs	2,273	2,120
Deferred federal income tax	(1,144)	(561)
Current federal income tax	(29)	(22)
Reinsurance recoverables	47	56
Furniture, equipment & software	676	654
Agents balances	212	202
Other	(30)	53
Total GAAP adjustments	4,613	2,120
GAAP shareholders' equity	\$ 25,943	\$ 22,894

(1) Estimated and Preliminary

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

The Travelers Companies, Inc.
Statement of Cash Flows - Preliminary



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Cash flows from operating activities										
Net income	\$ 669	\$ 524	\$ 709	\$ 621	\$ 796	\$ 557	\$ 396	\$ 873	\$ 2,523	\$ 2,622
Adjustments to reconcile net income to net cash provided by operating activities:										
Net realized investment (gains) losses	11	(36)	(29)	(60)	(53)	(25)	(23)	(12)	(114)	(113)
Depreciation and amortization	212	199	198	194	211	190	180	182	803	763
Deferred federal income tax expense (benefit)	(56)	(14)	27	30	32	(22)	(20)	(23)	(13)	(33)
Amortization of deferred acquisition costs	1,061	1,081	1,117	1,122	1,117	1,134	1,169	1,181	4,381	4,601
Equity in income from other investments	(95)	(74)	(115)	(81)	(34)	(98)	(64)	(55)	(365)	(251)
Premiums receivable	(397)	(263)	152	115	(434)	(345)	168	227	(393)	(384)
Reinsurance recoverables	5	24	(50)	(79)	98	53	61	(55)	(100)	157
Deferred acquisition costs	(1,124)	(1,160)	(1,141)	(1,063)	(1,185)	(1,223)	(1,211)	(1,128)	(4,488)	(4,747)
Claims and claim adjustment expense reserves	180	255	445	366	(2)	331	598	120	1,246	1,047
Unearned premium reserves	518	361	216	(385)	551	407	392	(342)	710	1,008
Other	(430)	247	205	168	(458)	194	355	444	190	535
Net cash provided by operating activities	554	1,144	1,734	948	639	1,153	2,001	1,412	4,380	5,205
Cash flows from investing activities										
Proceeds from maturities of fixed maturities	1,950	1,707	1,998	1,431	1,556	1,482	1,857	1,950	7,086	6,845
Proceeds from sales of investments:										
Fixed maturities	1,085	1,522	578	361	769	726	306	386	3,546	2,187
Equity securities	26	66	35	51	39	32	28	41	178	140
Real estate investments	—	—	8	66	—	—	—	—	74	—
Other investments	114	75	81	241	105	135	106	113	511	459
Purchases of investments:										
Fixed maturities	(3,920)	(4,032)	(2,910)	(2,664)	(2,914)	(2,794)	(2,526)	(2,477)	(13,526)	(10,711)
Equity securities	(20)	(40)	(26)	(31)	(22)	(19)	(21)	(32)	(117)	(94)
Real estate investments	(33)	(11)	(13)	(17)	(77)	(8)	(10)	(12)	(74)	(107)
Other investments	(142)	(133)	(117)	(145)	(146)	(116)	(107)	(128)	(537)	(497)
Net sales (purchases) of short-term securities	410	792	(746)	452	(109)	606	(1,114)	(340)	908	(957)
Securities transactions in course of settlement	202	77	(106)	(229)	295	(72)	209	(274)	(56)	158
Acquisitions, net of cash acquired	—	—	(4)	—	—	—	—	—	(4)	—
Other	(53)	(99)	(80)	(86)	(82)	(87)	(74)	(82)	(318)	(325)
Net cash used in investing activities	(381)	(76)	(1,302)	(570)	(586)	(115)	(1,346)	(855)	(2,329)	(2,902)

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



(\$ in millions)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	YTD 4Q2018	YTD 4Q2019
Cash flows from financing activities										
Treasury stock acquired - share repurchase authorization	(350)	(350)	(400)	(170)	(375)	(375)	(375)	(375)	(1,270)	(1,500)
Treasury stock acquired - net employee share-based compensation	(51)	—	—	—	(46)	(1)	—	(1)	(51)	(48)
Dividends paid to shareholders	(197)	(207)	(207)	(203)	(205)	(214)	(214)	(211)	(814)	(844)
Payment of debt	(100)	(500)	—	—	—	(500)	—	—	(600)	(500)
Issuance of debt	491	—	100	—	492	—	—	—	591	492
Issuance of common stock - employee share options	85	13	19	15	63	111	32	7	132	213
Net cash used in financing activities	(122)	(1,044)	(488)	(358)	(71)	(979)	(557)	(580)	(2,012)	(2,187)
Effect of exchange rate changes on cash	2	(6)	—	(6)	2	—	(6)	9	(10)	5
Net increase (decrease) in cash	53	18	(56)	14	(16)	59	92	(14)	29	121
Cash at beginning of period	344	397	415	359	373	357	416	508	344	373
Cash at end of period	<u>\$ 397</u>	<u>\$ 415</u>	<u>\$ 359</u>	<u>\$ 373</u>	<u>\$ 357</u>	<u>\$ 416</u>	<u>\$ 508</u>	<u>\$ 494</u>	<u>\$ 373</u>	<u>\$ 494</u>
Income taxes paid	\$ 56	\$ 182	\$ 6	\$ 164	\$ 5	\$ 320	\$ 42	\$ 61	\$ 408	\$ 428
Interest paid	\$ 39	\$ 136	\$ 50	\$ 122	\$ 50	\$ 121	\$ 60	\$ 107	\$ 347	\$ 338

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 2019 ranges from approximately \$19 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.