



The Travelers Companies, Inc.
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NYSE: TRV

Travelers Reports First Quarter Net and Operating Income of \$2.30 and \$2.33 per Diluted Share, Respectively, Including Catastrophe Losses of \$0.69 per Diluted Share

First Quarter Return on Equity and Operating Return on Equity of 11.6% and 12.5%, Respectively

Board of Directors Declares 10% Increase in the Company's Regular Quarterly Cash Dividend to \$0.67 per Share

- Net and operating income of \$691 million and \$698 million, respectively, declined from the prior year quarter primarily due to an increase in catastrophe losses of \$101 million after-tax (\$156 million pre-tax), mainly arising out of hail storms that occurred in Texas in late March.
- Strong underwriting results in each business segment as reflected in a consolidated combined ratio of 92.3% and an underlying combined ratio of 90.0%.
- Net written premiums of \$6.166 billion increased 5% from the prior year quarter due to higher levels of retention and new business volumes and positive renewal premium changes in each business segment.
- Total capital returned to shareholders of \$790 million in the quarter, including \$609 million in share repurchases.
- Book value per share of \$82.65 increased 6% from the prior year quarter and 4% from year-end 2015. Adjusted book value per share of \$76.63 increased 7% and 2%, respectively, from the same dates.

New York, April 21, 2016 – The Travelers Companies, Inc. today reported net income of \$691 million, or \$2.30 per diluted share, for the quarter ended March 31, 2016, compared to \$833 million, or \$2.55, in the prior year quarter. Operating income in the current quarter was \$698 million, or \$2.33 per diluted share, compared to \$827 million, or \$2.53 per diluted share, in the prior year quarter. These declines were primarily due to higher catastrophe losses mainly arising out of hail storms that occurred in Texas in late March. Per diluted share amounts benefited from the impact of share repurchases.

Consolidated Highlights

	Three Months Ended March 31,							
	2016		2015		Change			
(\$ in millions, except for per share amounts, and after-tax, except for premiums & revenues)								
Net written premiums	\$	6,166	\$	5,897	5 %			
Total revenues	\$	6,686	\$	6,629	1			
Operating income	\$	698	\$	827	(16)			
<i>per diluted share</i>	\$	2.33	\$	2.53	(8)			
Net income	\$	691	\$	833	(17)			
<i>per diluted share</i>	\$	2.30	\$	2.55	(10)			
Diluted weighted average shares outstanding		297.9		324.5	(8)			
Combined ratio		92.3%		88.9%	3.4 pts			
Underlying combined ratio		90.0%		90.3%	(0.3) pts			
Operating return on equity		12.5%		14.5%	(2.0) pts			
Return on equity		11.6%		13.4%	(1.8) pts			
				Change from				
	March 31,	December 31,	March 31,	December 31,	March 31,			
	2016	2015	2015	2015	2015			
Book value per share	\$	82.65	\$	79.75	\$	77.96	4 %	6 %
Adjusted book value per share		76.63		75.39		71.45	2	7

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

“Operating income of \$698 million and operating return on equity of 12.5% for the quarter were solid,” commented Alan Schnitzer, Chief Executive Officer. “Particularly in light of the relatively high level of catastrophe losses, we are pleased with the profitability of our underwriting across all three business segments as reflected in our 92.3% consolidated combined ratio. The underlying underwriting gain improved from an already strong level, and we continued to benefit from net favorable prior year reserve development. Net investment income from our fixed income portfolio declined in line with our expectations due to the continued low interest rate environment, while returns from our non-fixed income portfolio, which remained positive, were lower than in the prior year quarter due to challenging capital market conditions. Our results enabled us to return \$790 million to shareholders during the quarter, including \$181 million of dividends and \$609 million in share repurchases. Today, our Board of Directors declared a 10% increase in our quarterly dividend, raising it to \$0.67 per share, marking 12 consecutive years of dividend increases with a compound annual growth rate of nearly 10%.

“Once again, we are very pleased with the execution of our marketplace strategies in each of our business segments in the quarter. In both Business and International Insurance and Bond & Specialty Insurance we delivered on our objectives of retaining high levels of our best business, improving profitability for accounts that do not meet our return thresholds and writing attractive new business, as demonstrated by our historically high levels of retention, positive renewal premium change and meaningful increases in new business volumes. In Personal Insurance we continued to build on our leading position in the agency channel, with strong net written premium growth of 9%, resulting from 13% growth in Agency Auto and 2% growth in Agency Homeowners & Other.

“Our results from time to time will be impacted by higher levels of catastrophe losses, as they were this quarter, but the strength of our franchises, our meaningful and sustainable competitive advantages and our relentless execution have enabled us to deliver industry-leading returns over time, and we are well positioned to continue to do so.”

Consolidated Results

(\$ in millions and pre-tax, unless noted otherwise)

	Three Months Ended March 31,		
	2016	2015	Change
Underwriting gain:	\$ 428	\$ 620	\$ (192)
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	180	243	(63)
<i>Catastrophes, net of reinsurance</i>	(318)	(162)	(156)
Net investment income	544	592	(48)
Other income/(expense), including interest expense	(46)	(74)	28
Operating income before income taxes	926	1,138	(212)
Income tax expense	228	311	(83)
Operating income	698	827	(129)
Net realized investment gains/(losses) after income taxes	(7)	6	(13)
Net Income	\$ 691	\$ 833	\$ (142)
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Combined ratio	92.3 %	88.9 %	3.4 pts
<i>Impact on combined ratio</i>			
Net favorable prior year reserve development	(3.0) pts	(4.1) pts	1.1 pts
Catastrophes, net of reinsurance	5.3 pts	2.7 pts	2.6 pts
Underlying combined ratio	90.0 %	90.3 %	(0.3) pts
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Net written premiums			
Business and International Insurance	\$ 3,914	\$ 3,797	3 %
Bond & Specialty Insurance	492	478	3
Personal Insurance	1,760	1,622	9
Total	\$ 6,166	\$ 5,897	5 %

First Quarter 2016 Results

(All comparisons vs. first quarter 2015, unless noted otherwise)

Net income of \$691 million after-tax decreased \$142 million, or 17%. Within net income, operating income of \$698 million after-tax decreased by \$129 million, or 16%, primarily due to higher catastrophe losses, lower net favorable prior year reserve development and lower net investment income. In addition, net income was impacted by net realized investment losses of \$7 million after-tax (\$9 million pre-tax) in the current quarter compared to net realized investment gains of \$6 million after-tax (\$10 million pre-tax) in the prior year quarter.

Underwriting results

- The combined ratio remained strong at 92.3%. It increased 3.4 points due to higher catastrophe losses (2.6 points) and lower net favorable prior year reserve development (1.1 points), partially offset by a lower underlying combined ratio (0.3 points).
- The underlying combined ratio also remained strong at 90.0% and improved 0.3 points.
- Net favorable prior year reserve development occurred in all segments. Catastrophe losses primarily resulted from wind and hail storms in Texas and several other regions of the United States, as well as winter storms in the eastern United States.

Net investment income of \$544 million pre-tax (\$439 million after-tax) decreased primarily due to lower returns in the fixed income portfolio driven by lower reinvestment rates, and lower returns in the non-fixed income portfolio driven by lower hedge fund returns.

Other income/(expense) included proceeds from the favorable settlement of a claims-related legal matter.

Net written premiums of \$6.166 billion increased 5%, benefiting from strong retention, positive renewal premium changes and increases in new business volumes in each segment.

Shareholders' Equity

Shareholders' equity of \$24.166 billion increased 2% from year-end 2015, including an increase in after-tax net unrealized investment gains. After-tax net unrealized investment gains were \$1.759 billion (\$2.693 billion pre-tax), compared to \$1.289 billion after-tax (\$1.974 billion pre-tax) at year-end 2015. Book value per share of \$82.65 and adjusted book value per share of \$76.63 increased 4% and 2%, respectively, from year-end 2015.

The Company repurchased 5.6 million shares during the first quarter at an average price of \$108.40 for a total cost of \$609 million. At the end of first quarter 2016, statutory capital and surplus was \$20.569 billion and the ratio of debt-to-capital (excluding after-tax net unrealized investment gains) was 22.1%, well within the Company's target range of 15% to 25%.

The Board of Directors today declared a quarterly dividend of \$0.67 per share, an increase of 10%. This dividend is payable on June 30, 2016, to shareholders of record as of the close of business on June 10, 2016.

Business and International Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)

	Three Months Ended March 31,		
	2016	2015	Change
Underwriting gain:	\$ 172	\$ 228	\$ (56)
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	93	77	16
<i>Catastrophes, net of reinsurance</i>	(148)	(99)	(49)
Net investment income	415	454	(39)
Other income	33	8	25
Operating income before income taxes	620	690	(70)
Income tax expense	144	175	(31)
Operating income	\$ 476	\$ 515	\$ (39)
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Combined ratio	94.8 %	93.3 %	1.5 pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	(2.6) pts	(2.1) pts	(0.5) pts
<i>Catastrophes, net of reinsurance</i>	4.1 pts	2.7 pts	1.4 pts
Underlying combined ratio	93.3 %	92.7 %	0.6 pts
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Net written premiums by market			
Domestic			
Select Accounts	\$ 724	\$ 722	-
Middle Market	1,829	1,726	6
National Accounts	320	299	7
First Party	358	340	5
Specialized Distribution	286	268	7
Total Domestic	3,517	3,355	5
International	397	442	(10)
Total	\$ 3,914	\$ 3,797	3 %

First Quarter 2016 Results

(All comparisons vs. first quarter 2015, unless noted otherwise)

Operating income for Business and International Insurance was \$476 million after-tax, a decrease of \$39 million primarily due to higher catastrophe losses and lower net investment income.

Underwriting results

- The combined ratio of 94.8% increased 1.5 points due to higher catastrophe losses (1.4 points) and a higher underlying combined ratio (0.6 points), partially offset by higher net favorable prior year reserve development (0.5 points).
- The underlying combined ratio of 93.3% increased 0.6 points due to 0.3 point increases in both the expense ratio and the underlying loss ratio.
- Net favorable prior year reserve development primarily resulted from better than expected loss experience in the Company's domestic operations in (i) the workers' compensation product line for excess coverages for accident years 2006 and prior, (ii) the general liability product line, primarily related to excess coverages for accident years 2011 and 2013 and (iii) the commercial automobile product line for accident years 2010 and prior, as well as in the Company's international operations in Europe and Canada.

Other income included proceeds from the favorable settlement of a claims-related legal matter.

Net written premiums of \$3.914 billion increased 3%. Domestic net written premiums increased 5% primarily due to an increase in retention rates, positive renewal premium changes and an increase in new business volume. International net written premiums decreased 10% primarily due to the impact of changes in foreign currency exchange rates.

Bond & Specialty Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)

	Three Months Ended March 31,		
	2016	2015	Change
Underwriting gain:	\$ 154	\$ 118	\$ 36
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	60	35	25
<i>Catastrophes, net of reinsurance</i>	(1)	(1)	-
Net investment income	52	56	(4)
Other income	3	5	(2)
Operating income before income taxes	209	179	30
Income tax expense	65	55	10
Operating income	\$ 144	\$ 124	\$ 20
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Combined ratio	69.3 %	76.1 %	(6.8) pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	(11.9) pts	(6.9) pts	(5.0) pts
<i>Catastrophes, net of reinsurance</i>	0.1 pts	0.1 pts	- pts
Underlying combined ratio	81.1 %	82.9 %	(1.8) pts
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Net written premiums			
Management Liability	\$ 325	\$ 321	1 %
Surety	167	157	6
Total	\$ 492	\$ 478	3 %

First Quarter 2016 Results

(All comparisons vs. first quarter 2015, unless noted otherwise)

Operating income for Bond & Specialty Insurance was \$144 million after-tax, an increase of \$20 million primarily due to higher net favorable prior year reserve development and a higher underlying underwriting gain (i.e., excluding net favorable prior year reserve development and catastrophe losses).

Underwriting results

- The combined ratio of 69.3% improved 6.8 points due to higher net favorable prior year reserve development (5.0 points) and a lower underlying underwriting combined ratio (1.8 points).
- The underlying combined ratio of 81.1% improved 1.8 points primarily due to the impact of certain customer-related intangible assets which became fully amortized during the second quarter of 2015 and lower loss estimates in certain management liability businesses.
- Net favorable prior year reserve development primarily resulted from better than expected loss experience in the surety product line for accident years 2012 through 2014.

Bond & Specialty Insurance net written premiums of \$492 million increased 3% due to higher volume in Surety as well as an increase in retention rates, positive renewal premium changes and an increase in new business volume in Management Liability.

Personal Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)

	Three Months Ended March 31,		
	2016	2015	Change
Underwriting gain:	\$ 102	\$ 274	\$ (172)
<i>Underwriting gain includes:</i>			
<i>Net favorable prior year reserve development</i>	27	131	(104)
<i>Catastrophes, net of reinsurance</i>	(169)	(62)	(107)
Net investment income	77	82	(5)
Other income	14	12	2
Operating income before income taxes	193	368	(175)
Income tax expense	54	116	(62)
Operating income	<u>\$ 139</u>	<u>\$ 252</u>	<u>\$ (113)</u>
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Combined ratio	93.7 %	83.5 %	10.2 pts
<i>Impact on combined ratio</i>			
<i>Net favorable prior year reserve development</i>	(1.4) pts	(7.5) pts	6.1 pts
<i>Catastrophes, net of reinsurance</i>	9.0 pts	3.5 pts	5.5 pts
Underlying combined ratio	86.1 %	87.5 %	(1.4) pts
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Net written premiums			
Agency Automobile ¹	\$ 932	\$ 822	13 %
Agency Homeowners & Other ¹	760	748	2
Direct to Consumer	68	52	31
Total	<u>\$ 1,760</u>	<u>\$ 1,622</u>	9 %

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

First Quarter 2016 Results

(All comparisons vs. first quarter 2015, unless noted otherwise)

Operating income for Personal Insurance was \$139 million after-tax, a decrease of \$113 million primarily reflecting higher catastrophe losses and lower net favorable prior year reserve development, partially offset by a higher underlying underwriting gain.

Underwriting results

- The combined ratio of 93.7% increased 10.2 points due to lower net favorable prior year reserve development (6.1 points) and higher catastrophe losses (5.5 points), partially offset by a lower underlying combined ratio (1.4 points).
- The underlying combined ratio of 86.1% improved 1.4 points primarily due to a lower expense ratio.
- Net favorable prior year reserve development primarily resulted from better than expected loss experience in (i) the homeowners and other product line for liability coverages for accident year 2014 and (ii) the automobile product line for accident year 2014.

Personal Insurance net written premiums of \$1.760 billion increased 9%. Agency Automobile net written premiums grew 13% with an increase in policies in force of 9% from the prior year period, driven by Quantum Auto 2.0. Agency Homeowners & Other net written premiums grew 2% with an increase in policies in force of 1% from the prior year period.

Financial Supplement and Conference Call

The information in this press release should be read in conjunction with a financial supplement that is available on our website at www.travelers.com. Travelers management will discuss the contents of this release and other relevant topics via webcast at 9 a.m. Eastern (8 a.m. Central) on Thursday, April 21, 2016. Investors can access the call via webcast at <http://investor.travelers.com> or by dialing 1-800-954-0656 within the U.S. and 1-212-231-2910 outside the U.S. (use passcode 14788 for both the U.S. and international calls). 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 at the same website. An audio playback can also be accessed by phone at 1-800-633-8284 within the U.S. and 1-402-977-9140 outside the U.S. (use reservation 21806096 for both the U.S. and international calls).

About Travelers

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for [auto](#), [home](#) and [business](#). A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$27 billion in 2015. For more information, visit www.travelers.com.

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

Bond & Specialty Insurance – The Bond & Specialty Insurance segment provides surety, crime, management and professional liability, and cyber risk coverages and related risk management services to a wide range of primarily domestic customers, utilizing various degrees of financially-based underwriting approaches.

Personal Insurance – The Personal Insurance segment writes a broad range of property and casualty insurance covering individuals' personal risks. The primary products of automobile and homeowners insurance are complemented by a broad suite of related coverages.

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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, premium volume, premium rates, margins, net and operating income, investment income and performance, loss costs, return on equity and expected current returns and combined ratios);
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company’s asbestos and other reserves;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;
- catastrophe losses;
- the impact of investment, economic (including rapid changes in commodity prices, such as a significant decline in oil and gas prices, as well as fluctuations in foreign currency exchange rates) and underwriting market conditions; and
- strategic initiatives to improve profitability and competitiveness.

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

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

- catastrophe losses could materially and adversely affect the Company’s results of operations, its financial position and/or liquidity, and could adversely impact the Company’s ratings, the Company’s ability to raise capital and the availability and cost of reinsurance;
- during or following a period of financial market disruption, economic downturn or prolonged period of slow economic growth, the Company’s business could be materially and adversely affected;
- 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, the Company’s financial results could be materially and adversely affected;
- the Company’s investment portfolio may suffer reduced or low returns or material realized or unrealized losses;
- the Company’s business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances;
- the effects of emerging claim and coverage issues on the Company’s business are uncertain;
- the intense competition that the Company faces could harm its ability to maintain or increase its business volumes and its profitability;
- disruptions to the Company’s relationships with its independent agents and brokers could adversely affect the Company;
- the Company may not be able to collect all amounts due to it from reinsurers and reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all;
- the Company is exposed to credit risk in certain of its business and investment operations, including reinsurance or structured settlements, as well as guarantees or indemnifications from third parties;
- within the United States, the Company’s businesses are heavily regulated by the states in which it conducts business, including licensing and supervision, and changes in regulation may reduce the Company’s profitability and limit its growth;

- changes in federal regulation could impose significant burdens on the Company and otherwise adversely impact the Company's results;
- 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 or make future share repurchases;
- the Company's efforts to develop new products or expand in targeted markets 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;
- if the Company experiences difficulties with technology, data and network security, including as a result of cyber-attacks, outsourcing relationships, or cloud-based technology, the Company's ability to conduct its business could be negatively impacted;
- the Company is also subject to a number of additional risks associated with its business outside the United States, including foreign currency exchange fluctuations and restrictive regulations, as well as risks associated with the United Kingdom's possible withdrawal from the European Union;
- regulatory changes outside of the United States, including in Canada 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 to existing accounting standards may adversely impact the Company's reported results;
- changes in U.S. tax laws or in the tax laws of other jurisdictions in which the Company operates could adversely impact the Company; and
- the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels commensurate with the Company's desired ratings from independent rating agencies, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions and other factors.

Our forward-looking statements speak only as of the date of this press release or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 11, 2016, as updated by our periodic filings with the SEC.

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

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

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

Some of these measures exclude net realized investment gains (losses), net of tax, and/or net unrealized investment gains (losses), net of tax, 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 OPERATING INCOME AND CERTAIN OTHER NON-GAAP MEASURES TO NET INCOME

Operating income is net income excluding the after-tax impact of net realized investment gains (losses) and discontinued operations. Management uses operating income to analyze each segment's performance and as a tool in making business decisions. Financial statement users also consider operating income when analyzing the results and trends of insurance companies. **Operating earnings per share** is operating income on a per common share basis.

Reconciliation of Operating Income less Preferred Dividends to Net Income

(\$ in millions, pre-tax)	Three Months Ended March 31,	
	2016	2015
Operating income	\$ 926	\$ 1,138
Net realized investment gains/(losses)	(9)	10
Net income	\$ 917	\$ 1,148

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2016	2015
Operating income	\$ 698	\$ 827
Net realized investment gains/(losses)	(7)	6
Net income	\$ 691	\$ 833

(\$ in millions, after-tax)	Twelve Months Ended December 31,										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating income, less preferred dividends	\$ 3,437	\$ 3,641	\$ 3,567	\$ 2,441	\$ 1,389	\$ 3,040	\$ 3,597	\$ 3,191	\$ 4,496	\$ 4,195	\$ 2,020
Preferred dividends	-	-	-	-	1	3	3	4	4	5	6
Operating income	3,437	3,641	3,567	2,441	1,390	3,043	3,600	3,195	4,500	4,200	2,026
Net realized investment gains/(losses)	2	51	106	32	36	173	22	(271)	101	8	35
Income from continuing operations	3,439	3,692	3,673	2,473	1,426	3,216	3,622	2,924	4,601	4,208	2,061
Discontinued operations	-	-	-	-	-	-	-	-	-	-	(439)
Net income	\$ 3,439	\$ 3,692	\$ 3,673	\$ 2,473	\$ 1,426	\$ 3,216	\$ 3,622	\$ 2,924	\$ 4,601	\$ 4,208	\$ 1,622

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

	Three Months Ended March 31,	
	2016	2015
Basic earnings per share		
Operating income	\$ 2.35	\$ 2.56
Net realized investment gains/(losses)	(0.02)	0.02
Net income	\$ 2.33	\$ 2.58
Diluted earnings per share		
Operating income	\$ 2.33	\$ 2.53
Net realized investment gains/(losses)	(0.03)	0.02
Net income	\$ 2.30	\$ 2.55

Reconciliation of Operating Income by Segment to Total Operating Income

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2016	2015
Business and International Insurance	\$ 476	\$ 515
Bond & Specialty Insurance	144	124
Personal Insurance	139	252
Total segment operating income	759	891
Interest Expense and Other	(61)	(64)
Total operating income	\$ 698	\$ 827

RECONCILIATION OF ADJUSTED SHAREHOLDERS' EQUITY TO SHAREHOLDERS' EQUITY AND OPERATING RETURN ON EQUITY TO RETURN ON EQUITY

Adjusted shareholders' equity is shareholders' equity excluding net unrealized investment gains (losses), net of tax, net realized investment gains (losses), net of tax, for the period presented, preferred stock and discontinued operations.

Reconciliation of Adjusted Shareholders' Equity to Shareholders' Equity

(\$ in millions)	As of December 31,										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Adjusted shareholders' equity	\$ 22,307	\$ 22,819	\$ 23,368	\$ 22,270	\$ 21,570	\$ 23,375	\$ 25,458	\$ 25,647	\$ 25,783	\$ 24,545	\$ 22,227
Net unrealized investment gains/(losses), net of tax	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	2	51	106	32	36	173	22	(271)	101	8	35
Preferred stock	-	-	-	-	-	68	79	89	112	129	153
Discontinued operations	-	-	-	-	-	-	-	-	-	-	(439)
Shareholders' equity	\$ 23,598	\$ 24,836	\$ 24,796	\$ 25,405	\$ 24,477	\$ 25,475	\$ 27,415	\$ 25,319	\$ 26,616	\$ 25,135	\$ 22,303

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

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

Calculation of Operating Return on Equity and Return on Equity

(\$ in millions, after-tax)	Three Months Ended March 31,	
	2016	2015
Annualized operating income	\$ 2,791	\$ 3,306
Adjusted average shareholders' equity	22,361	22,817
Operating return on equity	12.5%	14.5%
Annualized net income	\$ 2,766	\$ 3,332
Average shareholders' equity	23,882	24,841
Return on equity	11.6%	13.4%

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

- the sum of operating income less preferred dividends for the periods presented to
- 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 Operating Return on Equity from January 1, 2005 through March 31, 2016

(\$ in millions)	Three Months Ended March 31,		Twelve Months Ended December 31,										
	2016	2015	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating income, less preferred dividends	\$ 698	\$ 827	\$ 3,437	\$ 3,641	\$ 3,567	\$ 2,441	\$ 1,389	\$ 3,040	\$ 3,597	\$ 3,191	\$ 4,496	\$ 4,195	\$ 2,020
Annualized operating income	2,791	3,306											
Adjusted average shareholders' equity	22,361	22,817	22,681	23,447	23,004	22,158	22,806	24,285	25,777	25,668	25,350	23,381	21,118
Operating return on equity	12.5%	14.5%	15.2%	15.5%	15.5%	11.0%	6.1%	12.5%	14.0%	12.4%	17.7%	17.9%	9.6%
Average annual operating return on equity for the period Jan. 1, 2005 through Mar. 31, 2016			13.5%										

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

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

A **catastrophe** is a severe loss, resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism and other similar events. Each catastrophe has unique characteristics and catastrophes are not predictable as to timing or amount. Their effects are included in net and operating 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. In the opinion of the Company's management, a discussion of the impact of catastrophes is meaningful to users of the financial statements to understand the Company's periodic earnings and the variability in periodic earnings caused by the unpredictable nature of catastrophes.

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 operating income (loss), and changes in claims and claim adjustment expense reserve levels from period to period.

Reconciliation of Pre-tax Underwriting Gain (Excluding the Impact of Catastrophes and Net Favorable Prior Year Loss Reserve Development) to Net Income

(\$ in millions, after-tax except as noted)	Three Months Ended	
	March 31,	
	2016	2015
Pre-tax underwriting gain excluding the impact of catastrophes and net favorable prior year loss reserve development	\$ 566	\$ 539
Pre-tax impact of catastrophes	(318)	(162)
Pre-tax impact of net favorable prior year loss reserve development	180	243
Pre-tax underwriting gain	428	620
Income tax expense on underwriting results	139	225
Underwriting gain	289	395
Net investment income	439	478
Other expense, including interest expense	(30)	(46)
Operating income	698	827
Net realized investment gains/(losses)	(7)	6
Net income	\$ 691	\$ 833

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* premium and the underwriting expense ratio as used in this earnings release is based on net *earned* premiums.

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

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

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

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

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.

Calculation of the Combined Ratio

(\$ in millions, pre-tax)	Three Months Ended	
	March 31,	
	2016	2015
Loss and loss adjustment expense ratio		
Claims and claim adjustment expenses	\$ 3,712	\$ 3,431
Less:		
Policyholder dividends	10	9
Allocated fee income	44	42
Loss ratio numerator	\$ 3,658	\$ 3,380
Underwriting expense ratio		
Amortization of deferred acquisition costs	\$ 971	\$ 963
General and administrative expenses (G&A)	995	995
Less:		
G&A included in Interest Expense and Other	8	7
Allocated fee income	73	72
Billing and policy fees and other	22	23
Expense ratio numerator	\$ 1,863	\$ 1,856
Earned premium	\$ 5,981	\$ 5,888
Combined ratio ¹		
Loss and loss adjustment expense ratio	61.1%	57.4%
Underwriting expense ratio	31.2%	31.5%
Combined ratio	92.3%	88.9%

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.

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

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 the after-tax impact of net unrealized investment gains and losses, 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 Tangible and Shareholders' Equity, excluding net unrealized investment gains, net of tax, to Shareholders' Equity

(\$ in millions, except per share amounts)	As of		
	March 31, 2016	December 31, 2015	March 31, 2015
Tangible shareholders' equity	\$ 18,604	\$ 18,517	\$ 18,946
Goodwill	3,588	3,573	3,590
Other intangible assets	275	279	292
Less: Impact of deferred tax on other intangible assets	(60)	(60)	(57)
Shareholders' equity, excluding net unrealized investment gains, net of tax	22,407	22,309	22,771
Net unrealized investment gains, net of tax	1,759	1,289	2,076
Shareholders' equity	\$ 24,166	\$ 23,598	\$ 24,847
Common shares outstanding	292.4	295.9	318.7
Tangible book value per share	\$ 63.63	\$ 62.58	\$ 59.45
Adjusted book value per share	76.63	75.39	71.45
Book value per share	82.65	79.75	77.96

RECONCILIATION OF CERTAIN NON-GAAP MEASURES TO TOTAL CAPITALIZATION

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

Reconciliation of Total Debt and Equity Excluding Net Unrealized Investment Gain to Total Capitalization

(\$ in millions)	As of		
	March 31, 2016	December 31, 2015	March 31, 2015
Debt	\$ 6,344	\$ 6,344	\$ 6,349
Shareholders' equity	24,166	23,598	24,847
Total capitalization	30,510	29,942	31,196
Net unrealized investment gains, net of tax	1,759	1,289	2,076
Total capitalization excluding net unrealized gain on investments, net of tax	\$ 28,751	\$ 28,653	\$ 29,120
Debt-to-capital ratio	20.8%	21.2%	20.4%
Debt-to-capital ratio excluding net unrealized investment gains, net of tax	22.1%	22.1%	21.8%

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 the Business and International Insurance and Bond & Specialty Insurance segments, **retention** is the amount of premium available for renewal that was retained, excluding rate and exposure changes. For the Personal Insurance segment, **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 the Business and International Insurance segment, retention, renewal premium change and new business exclude National Accounts and surety. For the Bond & Specialty Insurance segment, retention, renewal premium change and new business exclude surety.

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

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 11, 2016.

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