

NYSE: TRV

**Travelers Reports Fourth Quarter 2018 Net Income per Diluted Share of \$2.32, up 17%,
and Return on Equity of 10.9%**

Fourth Quarter 2018 Core Income per Diluted Share of \$2.13 and Core Return on Equity of 10.0%

Full Year Net Income of \$2.523 billion and Return on Equity of 11.0%

Full Year Core Income of \$2.430 billion and Core Return on Equity of 10.7%

- Fourth quarter net income of \$621 million and core income of \$571 million.
- Catastrophe losses of \$610 million pre-tax increased from \$499 million pre-tax in the prior year quarter.
- Fourth quarter consolidated combined ratio of 97.5%; underlying combined ratio of 91.1%.
- Fourth quarter net written premiums of \$6.691 billion, up 4%; record full year net written premiums of \$27.708 billion, up 6%; both periods reflect growth in all segments.
- Total capital returned to shareholders of \$375 million in the quarter, including \$170 million of share repurchases.
- Year-to-date total capital returned to shareholders of \$2.139 billion, including \$1.321 billion of share repurchases.
- Book value per share of \$86.84, down 1% from year-end 2017, due to the impact of higher interest rates on net unrealized investment gains (losses). Adjusted book value per share of \$87.27, up 5% from year-end 2017.
- Board of Directors declared quarterly dividend per share of \$0.77.

New York, January 22, 2019 — The Travelers Companies, Inc. today reported net income of \$621 million, or \$2.32 per diluted share, for the quarter ended December 31, 2018, compared to \$551 million, or \$1.98 per diluted share, in the prior year quarter. Core income in the current quarter was \$571 million, or \$2.13 per diluted share, compared to \$633 million, or \$2.28 per diluted share, in the prior year quarter. Core income before income taxes decreased primarily due to a decrease in net favorable prior year reserve development of \$126 million and an increase in catastrophe losses of \$111 million, partially offset by an increase in underlying underwriting gain (i.e., excluding net favorable prior year reserve development and catastrophe losses) of \$106 million and an increase in net investment income of \$29 million. Core income benefited from a lower U.S. corporate income tax rate. Net income in the prior year quarter included a charge of \$129 million related to the passage of the Tax Cuts and Jobs Act of 2017 (TCJA). 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,		
	2018	2017	Change	2018	2017	Change
Net written premiums	\$ 6,691	\$ 6,424	4%	\$27,708	\$26,219	6%
Total revenues	\$ 7,796	\$ 7,451	5	\$30,282	\$28,902	5
Net income	\$ 621	\$ 551	13	\$ 2,523	\$ 2,056	23
<i>per diluted share</i>	\$ 2.32	\$ 1.98	17	\$ 9.28	\$ 7.33	27
Core income	\$ 571	\$ 633	(10)	\$ 2,430	\$ 2,043	19
<i>per diluted share</i>	\$ 2.13	\$ 2.28	(7)	\$ 8.94	\$ 7.28	23
Diluted weighted average shares outstanding	266.0	275.7	(4)	269.8	278.6	(3)
Combined ratio	97.5%	95.5%	2.0 pts	96.9%	97.9%	(1.0) pts
Underlying combined ratio	91.1%	92.4%	(1.3) pts	92.5%	92.6%	(0.1) pts
Return on equity	10.9%	9.3%	1.6 pts	11.0%	8.7%	2.3 pts
Core return on equity	10.0%	11.1%	(1.1) pts	10.7%	9.0%	1.7 pts

	As of		Change
	December 31, 2018	December 31, 2017	
Book value per share	\$ 86.84	\$ 87.46	(1)%
Adjusted book value per share	87.27	83.36	5 %

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

“Fourth quarter core income of \$571 million and core return on equity of 10.0% were both impacted by a high level of catastrophe losses arising from the California wildfires and Hurricane Michael,” said Alan Schnitzer, Chairman and Chief Executive Officer. “Our consolidated underlying results remained strong, benefiting from the continued successful execution of our strategy to create top-line opportunities and improve productivity and efficiency. This resulted in a 5% increase in net earned premiums to a record \$6.9 billion and a reduction in the expense ratio to 29.5%. The underlying combined ratio improved to 91.1%, the lowest level since the first quarter of 2016. We were pleased with strong underlying performance across our diversified product portfolio, particularly in the Workers' Compensation, Surety, Management Liability and Personal Auto product lines, while our results in Commercial Auto were impacted by higher loss estimates for the full year. Net investment income of \$630 million pre-tax was strong, up 5% over the prior year quarter due to higher returns in our fixed income portfolio. These results, together with our strong balance sheet, enabled us to return \$375 million of excess capital to shareholders this quarter, including \$170 million of share repurchases. For the full year, we returned over \$2.1 billion of excess capital to shareholders, including \$1.3 billion in share repurchases.

“We remain very pleased with our performance in the market, as net written premiums increased by 4% to \$6.7 billion, with each of our business segments contributing. Net written premiums in Business Insurance increased by 3%, benefiting from renewal premium change of nearly 5% and continued historically high levels of retention. In our Middle Market business, renewal premium change increased over the prior year and was stable sequentially with retention at a fourth quarter record of 88%. In Bond & Specialty Insurance, net written premiums increased by 8%, with strong production in both our Management Liability and Surety businesses. In Personal Insurance, net written premiums increased by 5%. In Agency Auto, net written premiums increased by 5%, with strong retention and renewal premium change that continued to moderate, consistent with our objective of balancing growth and profitability. In our leading Agency Homeowners business, net written premiums increased by 6%, with strong retention and pricing up nearly a point over the prior year quarter.

“For the full year, we were pleased to have achieved record net written premiums of \$27.7 billion and core income of \$2.4 billion that generated core ROE of 10.7% despite an elevated level of \$1.4 billion of after-tax catastrophe losses. These results demonstrate the strength of our franchise. We continue to pursue our ambitious innovation agenda and identify opportunities to leverage our long-standing competitive advantages in a rapidly changing world. For example, we recently announced an agreement to become the exclusive provider of U.S. auto insurance claim management for Lyft. Our significant competitive advantages, including a strong balance sheet, superior talent and leading position with agents and brokers, together with our capital management strategy and the strategic initiatives we have underway, position us well to continue to deliver shareholder value over time.”

Consolidated Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
Underwriting gain:	\$ 135	\$ 266	\$ (131)	\$ 681	\$ 404	\$ 277
<i>Underwriting gain includes:</i>						
Net favorable prior year reserve development	167	293	(126)	517	592	(75)
Catastrophes, net of reinsurance	(610)	(499)	(111)	(1,716)	(1,949)	233
Net investment income	630	601	29	2,474	2,397	77
Other income (expense), including interest expense	(79)	(77)	(2)	(308)	(287)	(21)
Core income before income taxes	686	790	(104)	2,847	2,514	333
Income tax expense	115	157	(42)	417	471	(54)
Core income	571	633	(62)	2,430	2,043	387
Net realized investment gains after income taxes	50	47	3	93	142	(49)
Impact of TCJA at enactment	—	(129)	129	—	(129)	129
Net income	\$ 621	\$ 551	\$ 70	\$ 2,523	\$ 2,056	\$ 467
Combined ratio	97.5%	95.5%	2.0 pts	96.9%	97.9%	(1.0) pts
<i>Impact on combined ratio</i>						
Net favorable prior year reserve development	(2.4) pts	(4.4) pts	2.0 pts	(1.9) pts	(2.3) pts	0.4 pts
Catastrophes, net of reinsurance	8.8 pts	7.5 pts	1.3 pts	6.3 pts	7.6 pts	(1.3) pts
Underlying combined ratio	91.1%	92.4%	(1.3) pts	92.5%	92.6%	(0.1) pts
Net written premiums						
Business Insurance	\$ 3,533	\$ 3,437	3%	\$ 14,956	\$ 14,270	5%
Bond & Specialty Insurance	657	606	8	2,528	2,359	7
Personal Insurance	2,501	2,381	5	10,224	9,590	7
Total	\$ 6,691	\$ 6,424	4%	\$ 27,708	\$ 26,219	6%

Fourth Quarter 2018 Results

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

Net income of \$621 million increased \$70 million due to a \$129 million charge in the prior year quarter related to the passage of the TCJA, partially offset by lower core income. Core income of \$571 million decreased \$62 million. Core income before income taxes decreased primarily due to a decrease in net favorable prior year reserve development of \$126 million and an increase in catastrophe losses of \$111 million, partially offset by an increase in underlying underwriting gain of \$106 million and an increase in net investment income of \$29 million. Core income benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 97.5% increased 2.0 points due to lower net favorable prior year reserve development (2.0 points) and higher catastrophe losses (1.3 points), partially offset by a lower underlying combined ratio (1.3 points).
- The underlying combined ratio of 91.1% decreased 1.3 points. See below for details by segment.
- Net favorable prior year reserve development occurred in all segments. Catastrophe losses included \$453 million pre-tax (\$358 million after-tax) from the wildfires in California and \$158 million pre-tax (\$125 million after-tax) from Hurricane Michael.

Net investment income of \$630 million pre-tax (\$535 million after-tax) increased 5%. Income from the fixed income investment portfolio increased due to higher long-term and short-term interest rates as well as a higher average level of fixed maturity investments. Private equity returns were lower than in the prior year quarter.

Net written premiums of \$6.691 billion increased 4%, reflecting growth in all segments. Retention remained high and new business increased across all segments.

Full Year 2018 Results

(All comparisons vs. full year 2017, unless noted otherwise)

Net income of \$2.523 billion increased \$467 million due to higher core income and the \$129 million charge in the prior year related to the passage of the TCJA, partially offset by lower net realized investment gains. Core income of \$2.430 billion increased \$387 million. Core income before income taxes increased due to a decrease in catastrophe losses of \$233 million, an increase in underlying underwriting gain of \$119 million and an increase in net investment income of \$77 million, partially offset by a decrease in net favorable prior year reserve development of \$75 million. Core income benefited from a lower U.S. corporate income tax rate. Net realized investment gains of \$114 million pre-tax (\$93 million after-tax) were lower by \$102 million pre-tax (\$49 million after-tax).

Underwriting results:

- The combined ratio of 96.9% improved 1.0 points due to lower catastrophe losses (1.3 points) and a slightly lower underlying combined ratio (0.1 points), partially offset by lower net favorable prior year reserve development (0.4 points).
- The underlying combined ratio of 92.5% decreased 0.1 points. See below for details by segment.
- Net favorable prior year reserve development occurred in all segments. Catastrophe losses included the fourth quarter events described above, as well as winter storms in the eastern U.S., Hurricane Florence, wind and hail storms in several regions of the U.S. and mudslides in California in the first three quarters of 2018.

Net investment income of \$2.474 billion pre-tax (\$2.102 billion after-tax) increased 3%. Income from the fixed income investment portfolio increased due to a higher average level of fixed maturity investments and higher long-term and short-term interest rates. Private equity returns were lower than in the prior year.

Record net written premiums of \$27.708 billion increased 6%, reflecting growth in all segments. Retention remained high and new business increased across all segments.

Shareholders' Equity

Shareholders' equity of \$22.894 billion decreased 4% from year-end 2017 due to the impact of higher interest rates on net unrealized investment gains (losses). Net unrealized investment losses included in shareholders' equity were \$137 million pre-tax (\$113 million after-tax), compared to net unrealized investment gains of \$1.414 billion pre-tax (\$1.112 billion after-tax) at year-end 2017. Book value per share of \$86.84 decreased 1% from year-end 2017, also due to the impact of higher interest rates on net unrealized investment gains (losses). Adjusted book value per share of \$87.27 increased 5% from year-end 2017.

The Company repurchased 1.4 million shares during the fourth quarter at an average price of \$125.07 per share for a total cost of \$170 million. Capacity remaining under the existing share repurchase authorization was \$3.286 billion at the end of the quarter. At the end of fourth quarter 2018, statutory capital and surplus was \$20.774 billion, and the ratio of debt-to-capital was 22.3%. The ratio of debt-to-capital excluding after-tax net unrealized investment losses included in shareholders' equity was 22.2%, within the Company's target range of 15% to 25%.

The Board of Directors declared a quarterly dividend of \$0.77 per share. The dividend is payable on March 29, 2019, to shareholders of record at the close of business on March 11, 2019.

Business Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
Underwriting gain:	\$ 7	\$ 399	\$ (392)	\$ 76	\$ 251	\$ (175)
<i>Underwriting gain includes:</i>						
Net favorable prior year reserve development	48	244	(196)	142	439	(297)
Catastrophes, net of reinsurance	(197)	(53)	(144)	(639)	(858)	219
Net investment income	465	449	16	1,833	1,786	47
Other income (expense)	(9)	2	(11)	(12)	24	(36)
Segment income before income taxes	463	850	(387)	1,897	2,061	(164)
Income tax expense	72	213	(141)	259	448	(189)
Segment income	\$ 391	\$ 637	\$ (246)	\$ 1,638	\$ 1,613	\$ 25
Combined ratio	99.4%	88.6%	10.8 pts	99.1%	97.8%	1.3 pts
<i>Impact on combined ratio</i>						
Net favorable prior year reserve development	(1.2) pts	(6.7) pts	5.5 pts	(1.0) pts	(3.1) pts	2.1 pts
Catastrophes, net of reinsurance	5.2 pts	1.4 pts	3.8 pts	4.4 pts	6.0 pts	(1.6) pts
Underlying combined ratio	95.4%	93.9%	1.5 pts	95.7%	94.9%	0.8 pts
Net written premiums by market						
Domestic						
Select Accounts	\$ 660	\$ 661	— %	\$ 2,828	\$ 2,800	1%
Middle Market	1,935	1,863	4	8,214	7,756	6
National Accounts	247	259	(5)	1,025	1,010	1
National Property and Other	422	381	11	1,805	1,691	7
Total Domestic	3,264	3,164	3	13,872	13,257	5
International	269	273	(1)	1,084	1,013	7
Total	\$ 3,533	\$ 3,437	3 %	\$ 14,956	\$ 14,270	5%

Fourth Quarter 2018 Results

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

Segment income for Business Insurance was \$391 million after-tax, a decrease of \$246 million. Segment income before income taxes decreased due to lower net favorable prior year reserve development, higher catastrophe losses and a lower underlying underwriting gain, partially offset by higher net investment income. The lower underlying underwriting gain was primarily driven by higher loss estimates in the domestic commercial automobile line for bodily injury liability coverages. Segment income in the current quarter benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 99.4% increased 10.8 points due to lower net favorable prior year reserve development (5.5 points), higher catastrophe losses (3.8 points) and a higher underlying combined ratio (1.5 points).
- The underlying combined ratio of 95.4% increased 1.5 points, driven by the full year impact of higher loss estimates in the domestic commercial automobile line for bodily injury liability coverages, partially offset by a lower expense ratio.
- Net favorable prior year reserve development was primarily driven by better than expected loss experience in domestic workers' compensation for multiple accident years, partially offset by higher than expected loss experience in domestic commercial automobile for recent accident years and domestic general liability for multiple accident years.

Net written premiums of \$3.533 billion increased 3%, benefiting from continued strong retention, higher renewal premium change and higher levels of new business.

Full Year 2018 Results

(All comparisons vs. full year 2017, unless noted otherwise)

Segment income for Business Insurance was \$1.638 billion after-tax, an increase of \$25 million. Segment income before income taxes decreased due to lower net favorable prior year reserve development and a lower underlying underwriting gain, partially offset by lower catastrophe losses and higher net investment income. The lower underlying underwriting gain was primarily driven by higher loss estimates in the domestic commercial automobile line for bodily injury liability coverages. Segment income in the current year benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 99.1% increased 1.3 points due to lower net favorable prior year reserve development (2.1 points) and a higher underlying combined ratio (0.8 points), partially offset by lower catastrophe losses (1.6 points).
- The underlying combined ratio of 95.7% increased 0.8 points, primarily driven by higher loss estimates in the domestic commercial automobile line for bodily injury liability coverages.
- Net favorable prior year reserve development was primarily driven by better than expected loss experience in domestic workers' compensation for multiple accident years and commercial property for recent accident years, partially offset by higher than expected loss experience in domestic general liability for multiple accident years (including a \$225 million increase to asbestos reserves and a \$55 million increase to environmental reserves) and domestic commercial automobile for recent accident years.

Net written premiums of \$14.956 billion increased 5% and benefited from the same factors as discussed above for the fourth quarter of 2018.

Bond & Specialty Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
Underwriting gain:	\$ 214	\$ 94	\$ 120	\$ 740	\$ 512	\$ 228
<i>Underwriting gain includes:</i>						
Net favorable prior year reserve development	89	42	47	266	140	126
Catastrophes, net of reinsurance	(7)	2	(9)	(16)	(6)	(10)
Net investment income	61	54	7	233	228	5
Other income	5	8	(3)	18	24	(6)
Segment income before income taxes	280	156	124	991	764	227
Income tax expense	60	44	16	198	208	(10)
Segment income	\$ 220	\$ 112	\$ 108	\$ 793	\$ 556	\$ 237
Combined ratio	64.8%	83.7%	(18.9) pts	69.0%	77.4%	(8.4) pts
<i>Impact on combined ratio</i>						
Net favorable prior year reserve development	(14.4) pts	(7.2) pts	(7.2) pts	(11.0) pts	(6.1) pts	(4.9) pts
Catastrophes, net of reinsurance	1.1 pts	(0.2) pts	1.3 pts	0.6 pts	0.3 pts	0.3 pts
Underlying combined ratio	78.1%	91.1%	(13.0) pts	79.4%	83.2%	(3.8) pts
Net written premiums						
<i>Domestic</i>						
Management Liability	\$ 366	\$ 337	9%	\$ 1,455	\$ 1,367	6%
Surety	198	196	1	835	793	5
Total Domestic	564	533	6	2,290	2,160	6
<i>International</i>	93	73	27	238	199	20
Total	\$ 657	\$ 606	8%	\$ 2,528	\$ 2,359	7%

Fourth Quarter 2018 Results

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

Segment income for Bond & Specialty Insurance was \$220 million after-tax, an increase of \$108 million. Segment income before income taxes benefited from a higher underlying underwriting gain and higher net favorable prior year reserve development. The higher underlying underwriting gain primarily resulted from a charge for a single international surety loss in the fourth quarter of 2017 and higher business volumes. Segment income in the current quarter benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 64.8% improved 18.9 points due to a lower underlying combined ratio (13.0 points) and higher net favorable prior year reserve development (7.2 points), partially offset by higher catastrophe losses (1.3 points).
- The underlying combined ratio of 78.1% improved 13.0 points, primarily driven by a charge for a single international surety loss in the fourth quarter of 2017.
- Net favorable prior year reserve development resulted from better than expected loss experience in domestic general liability for management liability coverages for multiple accident years.

Net written premiums of \$657 million increased 8%, reflecting continued strong retention and higher new business in management liability and an increase in surety premiums.

Full Year 2018 Results

(All comparisons vs. full year 2017, unless noted otherwise)

Segment income for Bond & Specialty Insurance was \$793 million after-tax, an increase of \$237 million. Segment income before income taxes benefited from higher net favorable prior year reserve development and a higher underlying underwriting gain. The higher underlying underwriting gain primarily resulted from a charge for a single international surety loss in 2017 and higher business volumes. Segment income in the current year benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 69.0% improved 8.4 points due to higher net favorable prior year reserve development (4.9 points) and a lower underlying combined ratio (3.8 points), partially offset by higher catastrophe losses (0.3 points).
- The underlying combined ratio of 79.4% improved 3.8 points, primarily driven by a charge for a single international surety loss in 2017.
- Net favorable prior year reserve development resulted from better than expected loss experience in domestic general liability for management liability coverages for multiple accident years.

Net written premiums of \$2.528 billion increased 7% and benefited from the same factors as discussed above for the fourth quarter of 2018.

Personal Insurance Segment Financial Results

(\$ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
Underwriting gain (loss):	\$ (86)	\$ (227)	\$ 141	\$ (135)	\$ (359)	\$ 224
<i>Underwriting gain (loss) includes:</i>						
Net favorable prior year reserve development	30	7	23	109	13	96
Catastrophes, net of reinsurance	(406)	(448)	42	(1,061)	(1,085)	24
Net investment income	104	98	6	408	383	25
Other income	18	15	3	66	60	6
Segment income (loss) before income taxes	36	(114)	150	339	84	255
Income tax expense (benefit)	4	(64)	68	42	(44)	86
Segment income (loss)	\$ 32	\$ (50)	\$ 82	\$ 297	\$ 128	\$ 169
Combined ratio	102.6%	108.7%	(6.1) pts	100.6%	103.1%	(2.5) pts
<i>Impact on combined ratio</i>						
Net favorable prior year reserve development	(1.1) pts	(0.3) pts	(0.8) pts	(1.1) pts	(0.1) pts	(1.0) pts
Catastrophes, net of reinsurance	15.9 pts	18.6 pts	(2.7) pts	10.7 pts	11.7 pts	(1.0) pts
Underlying combined ratio	87.8%	90.4%	(2.6) pts	91.0%	91.5%	(0.5) pts
Net written premiums						
Domestic						
Agency (1)						
Automobile	\$ 1,226	\$ 1,172	5%	\$ 4,972	\$ 4,646	7%
Homeowners & Other	1,011	955	6	4,148	3,933	5
Total Agency	2,237	2,127	5	9,120	8,579	6
Direct to Consumer	97	90	8	396	361	10
Total Domestic	2,334	2,217	5	9,516	8,940	6
International	167	164	2	708	650	9
Total	\$ 2,501	\$ 2,381	5%	\$ 10,224	\$ 9,590	7%

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

Fourth Quarter 2018 Results

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

Segment income for Personal Insurance was \$32 million after-tax, compared to a loss of \$50 million in the prior year quarter. Segment income before income taxes benefited from a higher underlying underwriting gain, lower catastrophe losses, higher net favorable prior year reserve development and higher net investment income. The higher underlying underwriting gain was primarily driven by earned pricing that exceeded loss cost trends in Agency Automobile, partially offset by higher non-weather related losses in Agency Homeowners & Other.

Underwriting results:

- The combined ratio of 102.6% improved 6.1 points due to lower catastrophe losses (2.7 points), a lower underlying combined ratio (2.6 points) and higher net favorable prior year reserve development (0.8 points).
- The underlying combined ratio of 87.8% improved 2.6 points, primarily driven by earned pricing that exceeded loss cost trends in Agency Automobile and a lower expense ratio, partially offset by higher non-weather related losses in Agency Homeowners & Other.
- Net favorable prior year reserve development primarily resulted from better than expected loss experience in Agency Automobile for recent accident years.

Net written premiums of \$2.501 billion increased 5%. Agency Automobile net written premiums increased 5%, driven by renewal premium change of 6%. Agency Homeowners & Other net written premiums increased 6%, benefiting from year-over-year policies in force growth of 6%.

Full Year 2018 Results

(All comparisons vs. full year 2017, unless noted otherwise)

Segment income for Personal Insurance was \$297 million after-tax, an increase of \$169 million. Segment income before income taxes benefited from a higher underlying underwriting gain, higher net favorable prior year reserve development, higher net investment income and lower catastrophe losses. The higher underlying underwriting gain was primarily driven by earned pricing that exceeded loss cost trends in Agency Automobile, partially offset by higher non-catastrophe weather-related losses and non-weather related losses in Agency Homeowners & Other. Segment income in the current year benefited from a lower U.S. corporate income tax rate.

Underwriting results:

- The combined ratio of 100.6% improved 2.5 points due to higher net favorable prior year reserve development (1.0 points), lower catastrophe losses (1.0 points) and a lower underlying combined ratio (0.5 points).
- The underlying combined ratio of 91.0% improved 0.5 points, primarily driven by earned pricing that exceeded loss cost trends in Agency Automobile, partially offset by higher non-catastrophe weather-related losses and non-weather related losses in Agency Homeowners & Other.
- Net favorable prior year reserve development resulted from better than expected loss experience in Agency Automobile for recent accident years.

Net written premiums of \$10.224 billion increased 7%. Agency Automobile net written premiums increased 7%, and Agency Homeowners & Other net written premiums increased 5%, in each case benefiting from the same factors as discussed above for the fourth quarter of 2018.

Financial Supplement and Conference Call

The information in this press release should be read in conjunction with a financial supplement that is available on our website at www.travelers.com. Travelers management will discuss the contents of this release and other relevant topics via webcast at 9 a.m. Eastern (8 a.m. Central) on Tuesday, January 22, 2019. Investors can access the call via webcast at <http://investor.travelers.com> or by dialing 1.844.895.1976 within the United States and 1.647.689.5389 outside the United States. Prior to the webcast, a slide presentation pertaining to the quarterly earnings will be available on the Company's website.

Following the live event, an audio playback of the webcast and the slide presentation will be available on the same website.

About Travelers

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$30 billion in 2018. For more information, visit www.travelers.com.

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

Travelers is organized into the following reportable business segments:

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

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

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

* * * * *

Forward-Looking Statements

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

- the Company's outlook and its future results of operations and financial condition (including, among other things, anticipated premium volume, premium rates, renewal premium changes, 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 cost and availability of reinsurance coverage;
- catastrophe losses;

- the impact of investment (including changes in interest rates), economic (including inflation, recent changes in tax law, rapid changes in commodity prices and fluctuations in foreign currency exchange rates) and underwriting market conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company's competitive advantages;
- new product offerings;
- 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 the government shutdown.

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

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

- catastrophe losses could materially and adversely affect the Company's results of operations, its financial position and/or liquidity, and could adversely impact the Company's ratings, the Company's ability to raise capital and the availability and cost of reinsurance;
- if actual claims exceed the Company's claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal, regulatory and economic environments in which the Company operates, the Company's financial results could be materially and adversely affected;
- during or following a period of financial market disruption or an economic downturn, the Company's business could be materially and adversely affected;
- the Company's investment portfolio is subject to credit risk and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
- the Company's business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- the intense competition that the Company faces, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates, could harm its ability to maintain or increase its business volumes and its profitability;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape could adversely affect the Company;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances;
- the effects of emerging claim and coverage issues on the Company's business are uncertain;
- the Company may not be able to collect all amounts due to it from reinsurers, reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all and we are exposed to credit risk related to our structured settlements;
- the Company is also exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that we have with third parties;
- within the United States, the Company's businesses are heavily regulated by the states in which it conducts business, including licensing, market conduct and financial supervision, and changes in regulation may reduce the Company's profitability and limit its growth;
- a downgrade in the Company's claims-paying and financial strength ratings could adversely impact the Company's business volumes, adversely impact the Company's ability to access the capital markets and increase the Company's borrowing costs;
- the inability of the Company's insurance subsidiaries to pay dividends to the Company's holding company in sufficient amounts would harm the Company's ability to meet its obligations, pay future shareholder dividends and/or make future share repurchases;
- the Company's efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may create enhanced risks;
- the Company may be adversely affected if its pricing and capital models provide materially different indications than actual results;
- the Company's business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology, particularly as 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 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 15, 2018, as updated by our periodic filings with the SEC.

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

The following measures are used by the Company's management to evaluate financial performance against historical results, 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,	
	2018	2017	2018	2017
Net income	\$ 621	\$ 551	\$ 2,523	\$ 2,056
Less: Net realized investment gains	(50)	(47)	(93)	(142)
Impact of TCJA at enactment	—	129	—	129
Core income	\$ 571	\$ 633	\$ 2,430	\$ 2,043

(\$ in millions, pre-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net income	\$ 746	\$ 860	\$ 2,961	\$ 2,730
Less: Net realized investment gains	(60)	(70)	(114)	(216)
Core income	\$ 686	\$ 790	\$ 2,847	\$ 2,514

(\$ in millions, after-tax)	Twelve Months Ended December 31,													
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net income	\$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	2,523	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 ...	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment	—	129	—	—	—	—	—	—	—	—	—	—	—	—
Core income	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 ..	\$2,430	\$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

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,	
	2018	2017	2018	2017
Basic income per share				
Net income	\$ 2.33	\$ 2.00	\$ 9.37	\$ 7.39
Adjustments:				
Net realized investment gains, after-tax	(0.18)	(0.17)	(0.35)	(0.51)
Impact of TCJA at enactment	—	0.47	—	0.47
Core income	\$ 2.15	\$ 2.30	\$ 9.02	\$ 7.35
Diluted income per share				
Net income	\$ 2.32	\$ 1.98	\$ 9.28	\$ 7.33
Adjustments:				
Net realized investment gains, after-tax	(0.19)	(0.17)	(0.34)	(0.51)
Impact of TCJA at enactment	—	0.47	—	0.46
Core income	\$ 2.13	\$ 2.28	\$ 8.94	\$ 7.28

Reconciliation of Segment Income to Total Core Income

(\$ in millions, after-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Business Insurance	\$ 391	\$ 637	\$ 1,638	\$ 1,613
Bond & Specialty Insurance	220	112	793	556
Personal Insurance	32	(50)	297	128
Total segment income	643	699	2,728	2,297
Interest Expense and Other	(72)	(66)	(298)	(254)
Total core income	\$ 571	\$ 633	\$ 2,430	\$ 2,043

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,													
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Shareholders' equity	\$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	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	(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	\$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 less preferred dividends to average shareholders' equity for the periods presented. **Core return on equity** is the ratio of annualized core income less preferred dividends to adjusted average shareholders' equity for the periods presented. In the opinion of the Company's management, these are important indicators of how well management creates value for its shareholders through its operating activities and its capital management.

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

Calculation of Return on Equity and Core Return on Equity

(\$ in millions, after-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Annualized net income	\$ 2,483	\$ 2,202	\$ 2,523	\$ 2,056
Average shareholders' equity	22,677	23,735	22,843	23,671
Return on equity	10.9%	9.3%	11.0%	8.7%
Annualized core income	\$ 2,286	\$ 2,530	\$ 2,430	\$ 2,043
Adjusted average shareholders' equity	22,932	22,795	22,814	22,743
Core return on equity	10.0%	11.1%	10.7%	9.0%

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

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

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

(\$ in millions)	Twelve Months Ended December 31,													
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Core income, less preferred dividends.....	\$ 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.....	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	10.7%	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 Dec. 31, 2018.....	13.0%													

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

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

A **catastrophe** is a severe loss designated a catastrophe by internationally recognized organizations that track and report on insured losses resulting from catastrophic events, such as Property Claim Services (PCS) for events in the United States and Canada. Catastrophes can be caused by various natural events, including, among others, hurricanes, tornadoes and other windstorms, earthquakes, hail, wildfires, severe winter weather, floods, tsunamis, volcanic eruptions and other naturally occurring events, such as solar flares. Catastrophes can also be man-made, such as terrorist attacks and other intentionally destructive acts including those involving nuclear, biological, chemical or

radiological events, cyber attacks, explosions and infrastructure failures. Each catastrophe has unique characteristics and catastrophes are not predictable as to timing or amount. Their effects are included in net and core income and claims and claim adjustment expense reserves upon occurrence. A catastrophe may result in the payment of reinsurance reinstatement premiums and assessments from various pools.

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

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

Components of Net Income

(\$ in millions, after-tax except as noted)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Pre-tax underwriting gain excluding the impact of catastrophes and net favorable prior year loss reserve development	\$ 578	\$ 472	\$ 1,880	\$ 1,761
Pre-tax impact of catastrophes	(610)	(499)	(1,716)	(1,949)
Pre-tax impact of net favorable prior year loss reserve development	167	293	517	592
Pre-tax underwriting gain	135	266	681	404
Income tax expense on underwriting results	36	50	105	54
Underwriting gain	99	216	576	350
Net investment income	535	467	2,102	1,872
Other income (expense), including interest expense	(63)	(50)	(248)	(179)
Core income	571	633	2,430	2,043
Net realized investment gains	50	47	93	142
Impact of TCJA at enactment	—	(129)	—	(129)
Net income	\$ 621	\$ 551	\$ 2,523	\$ 2,056

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,	
	2018	2017	2018	2017
Loss and loss adjustment expense ratio				
Claims and claim adjustment expenses	\$ 4,778	\$ 4,342	\$ 18,291	\$ 17,467
Less:				
Policyholder dividends	15	13	52	51
Allocated fee income	39	36	154	162
Loss ratio numerator	\$ 4,724	\$ 4,293	\$ 18,085	\$ 17,254
Underwriting expense ratio				
Amortization of deferred acquisition costs	\$ 1,122	\$ 1,072	\$ 4,381	\$ 4,166
General and administrative expenses (G&A)	1,063	1,084	4,297	4,170
Less:				
Non-insurance G&A	45	33	159	77
Allocated fee income	69	69	278	285
Billing and policy fees and other	24	21	93	88
Expense ratio numerator	\$ 2,047	\$ 2,033	\$ 8,148	\$ 7,886
Earned premium	\$ 6,945	\$ 6,626	\$ 27,059	\$ 25,683
Combined ratio (1)				
Loss and loss adjustment expense ratio	68.0%	64.8%	66.8%	67.2%
Underwriting expense ratio	29.5%	30.7%	30.1%	30.7%
Combined ratio	97.5%	95.5%	96.9%	97.9%

(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

(\$ in millions, except per share amounts)	As of	
	December 31, 2018	December 31, 2017
Shareholders' equity	\$ 22,894	\$ 23,731
Less: Net unrealized investment gains (losses), net of tax, included in shareholders' equity	(113)	1,112
Shareholders' equity, excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity	23,007	22,619
Less:		
Goodwill	3,937	3,951
Other intangible assets	345	342
Impact of deferred tax on other intangible assets	(44)	(44)
Tangible shareholders' equity	\$ 18,769	\$ 18,370
Common shares outstanding	263.6	271.4
Book value per share	\$ 86.84	\$ 87.46
Adjusted book value per share	87.27	83.36
Tangible book value per share	71.20	67.70

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.

(\$ in millions)	As of	
	December 31, 2018	December 31, 2017
Debt	\$ 6,564	\$ 6,571
Shareholders' equity	22,894	23,731
Total capitalization	29,458	30,302
Less: Net unrealized investment gains (losses), net of tax, included in shareholders' equity	(113)	1,112
Total capitalization excluding net unrealized gain (loss) on investments, net of tax, included in shareholders' equity	\$ 29,571	\$ 29,190
Debt-to-capital ratio	22.3%	21.7%
Debt-to-capital ratio excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity	22.2%	22.5%

OTHER DEFINITIONS

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

For Business Insurance and Bond & Specialty Insurance, **retention** is the amount of premium available for renewal that was retained, excluding rate and exposure changes. For Personal Insurance, **retention** is the ratio of the expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies. For all of the segments, **renewal rate change** represents the estimated change in average premium on policies that renew, excluding exposure changes. **Exposure** is the measure of risk used in the pricing of an insurance product. The change in exposure is the amount of change in premium on policies that renew attributable to the change in portfolio risk. **Renewal premium change** represents the estimated change in average premium on policies that renew, including rate and exposure changes. **New business** is the amount of written premium related to new policyholders and additional products sold to existing policyholders. These are operating statistics, which are in part

dependent on the use of estimates and are therefore subject to change. For Business Insurance, retention, renewal premium change and new business exclude National Accounts. For Bond & Specialty Insurance, retention, renewal premium change and new business exclude surety.

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

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

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

###

Contacts

Media:

Patrick Linehan
917.778.6267

Institutional Investors:

Abbe Goldstein
917.778.6825