

NYSE: TRV

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

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

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

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

Consolidated Highlights

| (\$ in millions, except for per share amounts, and after-tax, except for premiums and revenues) | Three Months Ended March 31, | | |
|---|------------------------------|----------|-----------|
| | 2020 | 2019 | Change |
| Net written premiums | \$ 7,346 | \$ 7,057 | 4% |
| Total revenues | \$ 7,908 | \$ 7,671 | 3 |
| Net income | \$ 600 | \$ 796 | (25) |
| <i>per diluted share</i> | \$ 2.33 | \$ 2.99 | (22) |
| Core income | \$ 676 | \$ 755 | (10) |
| <i>per diluted share</i> | \$ 2.62 | \$ 2.83 | (7) |
| Diluted weighted average shares outstanding | 255.9 | 264.8 | (3) |
| Combined ratio | 95.5% | 93.7% | 1.8 pts |
| Underlying combined ratio | 91.3% | 91.6% | (0.3) pts |
| Return on equity | 9.4% | 13.5% | (4.1) pts |
| Core return on equity | 11.5% | 13.0% | (1.5) pts |

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

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

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

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

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

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

Consolidated Results

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

First Quarter 2020 Results

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

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

Combined ratio:

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

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

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

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

Shareholders' Equity

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

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

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

Business Insurance Segment Financial Results

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

First Quarter 2020 Results

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

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

Combined ratio:

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

Largely offset by:

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

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

Bond & Specialty Insurance Segment Financial Results

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

First Quarter 2020 Results

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

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

Combined ratio:

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

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

Personal Insurance Segment Financial Results

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

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

First Quarter 2020 Results

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

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

Combined ratio:

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

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

Financial Supplement and Conference Call

The information in this press release should be read in conjunction with the financial supplement that is available on our website at www.travelers.com. Travelers management will discuss the contents of this release and other relevant topics via webcast at 9 a.m. Eastern (8 a.m. Central) on Tuesday, April 21, 2020. Investors can access the call via webcast at <http://investor.travelers.com> or by dialing 1.844.895.1976 within the United States and 1.647.689.5389 outside the United States. Prior to the webcast, a slide presentation pertaining to the quarterly earnings will be available on the Company's website.

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

About Travelers

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$32 billion in 2019. For more information, visit www.travelers.com.

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

Travelers is organized into the following reportable business segments:

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

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

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

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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, anticipated premium volume, premium rates, renewal premium changes, underwriting margins and underlying underwriting margins, net and core income, investment income and performance, loss costs, return on equity, core return on equity and expected current returns, and combined ratios and underlying combined ratios);
- the impact of COVID-19 and related economic conditions, including the Company's assessment of the vulnerability of certain categories of investments to the economic disruptions associated with COVID-19;
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company's asbestos and other reserves;

- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the potential benefit associated with the Company's ability to recover on its subrogation claims;
- the cost and availability of reinsurance coverage;
- catastrophe losses;
- the impact of investment (including changes in interest rates), economic (including inflation, changes in tax law, changes in commodity prices and fluctuations in foreign currency exchange rates) and underwriting market conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company's competitive advantages;
- new product offerings;
- the impact of new or potential regulations imposed or to be imposed by the United States or other nations, including tariffs or other barriers to international trade; and
- the impact of developments in the tort environment, such as increased attorney involvement in insurance claims and legislation allowing victims of sexual abuse to file or proceed with claims that otherwise would have been time-barred.

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

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

- high levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas, could materially and adversely affect the Company's results of operations, its financial position and/or liquidity, and could adversely impact the Company's ratings, the Company's ability to raise capital and the availability and cost of reinsurance;
- if actual claims exceed the Company's claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments in which the Company operates or the impacts of COVID-19, the Company's financial results could be materially and adversely affected;
- the impact of COVID-19 and related risks, including on the Company's distribution or other key partners, could materially affect the Company's results of operations, financial position and/or liquidity;
- during or following a period of financial market disruption or an economic downturn, such as the current environment, the Company's business could be materially and adversely affected;
- the Company's investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses, particularly in the current environment;
- the intense competition that the Company faces, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates, could harm its ability to maintain or increase its business volumes and its profitability;
- the Company's business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape could adversely affect the Company;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances;
- the effects of emerging claim and coverage issues on the Company's business are uncertain, and court decisions or legislative or regulatory changes that take place after the Company issues its policies, including those taken in response to COVID-19 (such as effectively expanding workers' compensation coverage by instituting presumptions of compensability of claims for certain types of workers or requiring insurers to cover business interruption claims irrespective of terms, exclusions or other conditions included in the policies that would otherwise preclude coverage), can result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results of operations;
- the Company may not be able to collect all amounts due to it from reinsurers, reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all and the Company is exposed to credit risk related to its structured settlements;
- the Company is exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that it has with third parties, which risk is heightened in the current environment;

- within the United States, the Company's businesses are heavily regulated by the states in which it conducts business, including licensing, market conduct and financial supervision, and changes in regulation may reduce the Company's profitability and limit its growth;
- a downgrade in the Company's claims-paying and financial strength ratings could adversely impact the Company's business volumes, adversely impact the Company's ability to access the capital markets and increase the Company's borrowing costs;
- the inability of the Company's insurance subsidiaries to pay dividends to the Company's holding company in sufficient amounts would harm the Company's ability to meet its obligations, pay future shareholder dividends and/or make future share repurchases;
- the Company's efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may create enhanced risks;
- the Company may be adversely affected if its pricing and capital models provide materially different indications than actual results;
- the Company's business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology, particularly as its business processes become more digital;
- if the Company experiences difficulties with technology, data and network security (including as a result of cyber-attacks), outsourcing relationships or cloud-based technology, the Company's ability to conduct its business could be negatively impacted. This risk is heightened in the current environment where a majority of the Company's employees have shifted to a work from home arrangement;
- the Company is also subject to a number of additional risks associated with its business outside the United States, such as foreign currency exchange fluctuations (including with respect to the valuation of the Company's foreign investments and interests in joint ventures) and restrictive regulations as well as the risks and uncertainties associated with the United Kingdom's withdrawal from the European Union;
- regulatory changes outside of the United States, including in Canada, the United Kingdom, the Republic of Ireland and the European Union, could adversely impact the Company's results of operations and limit its growth;
- loss of or significant restrictions on the use of particular types of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of the Company's products could reduce the Company's future profitability;
- acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences;
- the Company could be adversely affected if its controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective;
- the Company's businesses may be adversely affected if it is unable to hire and retain qualified employees;
- intellectual property is important to the Company's business, and the Company may be unable to protect and enforce its own intellectual property or the Company may be subject to claims for infringing the intellectual property of others;
- changes in federal regulation could impose significant burdens on the Company, and otherwise adversely impact the Company's results;
- changes in U.S. tax laws or in the tax laws of other jurisdictions where the Company operates could adversely impact the Company; and
- the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels commensurate with the Company's desired ratings from independent rating agencies, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions and other factors, including the level of uncertainty related to COVID-19.

Our forward-looking statements speak only as of the date of this press release or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on April 21, 2020, and in our most recent annual report on Form 10-K filed with the SEC on February 13, 2020, in each case as updated by our periodic filings with the SEC.

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

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

In the opinion of the Company's management, a discussion of these measures provides investors, financial analysts, rating agencies and other financial statement users with a better understanding of the significant factors that comprise the Company's periodic results of operations and how management evaluates the Company's financial performance.

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

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

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

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

Reconciliation of Net Income to Core Income less Preferred Dividends

| (\$ in millions, after-tax) | Three Months Ended March 31, | |
|--|---------------------------------|---------------|
| | 2020 | 2019 |
| Net income | \$ 600 | \$ 796 |
| Less: Net realized investment (gains) losses | 76 | (41) |
| Core income | \$ 676 | \$ 755 |

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

| (\$ in millions, after-tax) | Twelve Months Ended December 31, | | | | | | | | | | | | | | |
|--|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Net income | \$2,622 | \$2,523 | \$2,056 | \$3,014 | \$3,439 | \$3,692 | \$3,673 | \$2,473 | \$1,426 | \$3,216 | \$3,622 | \$2,924 | \$4,601 | \$4,208 | \$1,622 |
| Less: Loss from discontinued operations..... | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (439) |
| Income from continuing operations..... | 2,622 | 2,523 | 2,056 | 3,014 | 3,439 | 3,692 | 3,673 | 2,473 | 1,426 | 3,216 | 3,622 | 2,924 | 4,601 | 4,208 | 2,061 |
| Adjustments: | | | | | | | | | | | | | | | |
| Net realized investment (gains) losses..... | (85) | (93) | (142) | (47) | (2) | (51) | (106) | (32) | (36) | (173) | (22) | 271 | (101) | (8) | (35) |
| Impact of TCJA at enactment (1) | — | — | 129 | — | — | — | — | — | — | — | — | — | — | — | — |
| Core income | 2,537 | 2,430 | 2,043 | 2,967 | 3,437 | 3,641 | 3,567 | 2,441 | 1,390 | 3,043 | 3,600 | 3,195 | 4,500 | 4,200 | 2,026 |
| Less: Preferred dividends | — | — | — | — | — | — | — | — | 1 | 3 | 3 | 4 | 4 | 5 | 6 |
| Core income, less preferred dividends.... | \$2,537 | \$2,430 | \$2,043 | \$2,967 | \$3,437 | \$3,641 | \$3,567 | \$2,441 | \$1,389 | \$3,040 | \$3,597 | \$3,191 | \$4,496 | \$4,195 | \$2,020 |

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

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

| | Three Months Ended March 31, | |
|---|---------------------------------|----------------|
| | 2020 | 2019 |
| Basic income per share | | |
| Net income | \$ 2.34 | \$ 3.01 |
| Adjustments: | | |
| Net realized investment (gains) losses, after-tax | 0.30 | (0.16) |
| Core income | \$ 2.64 | \$ 2.85 |
| Diluted income per share | | |
| Net income | \$ 2.33 | \$ 2.99 |
| Adjustments: | | |
| Net realized investment (gains) losses, after-tax | 0.29 | (0.16) |
| Core income | \$ 2.62 | \$ 2.83 |

Reconciliation of Segment Income to Total Core Income

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

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

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

Reconciliation of Shareholders' Equity to Adjusted Shareholders' Equity

| (\$ in millions) | As of March 31, | |
|---|------------------|------------------|
| | 2020 | 2019 |
| Shareholders' equity | \$ 25,204 | \$ 24,340 |
| Adjustments: | | |
| Net unrealized investment gains, net of tax, included in shareholders' equity | (1,785) | (1,007) |
| Net realized investment (gains) losses, net of tax | 76 | (41) |
| Adjusted shareholders' equity | \$ 23,495 | \$ 23,292 |

| | As of December 31, | | | | | | | | | | | | | | |
|--|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| (\$ in millions) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Shareholders' equity..... | \$25,943 | \$22,894 | \$23,731 | \$23,221 | \$23,598 | \$24,836 | \$24,796 | \$25,405 | \$24,477 | \$25,475 | \$27,415 | \$25,319 | \$26,616 | \$25,135 | \$22,303 |
| Adjustments: | | | | | | | | | | | | | | | |
| Net unrealized investment (gains) losses, net of tax, included in shareholders' equity . | (2,246) | 113 | (1,112) | (730) | (1,289) | (1,966) | (1,322) | (3,103) | (2,871) | (1,859) | (1,856) | 146 | (620) | (453) | (327) |
| Net realized investment (gains) losses, net of tax | (85) | (93) | (142) | (47) | (2) | (51) | (106) | (32) | (36) | (173) | (22) | 271 | (101) | (8) | (35) |
| Impact of TCJA at enactment | — | — | 287 | — | — | — | — | — | — | — | — | — | — | — | — |
| Preferred stock | — | — | — | — | — | — | — | — | — | (68) | (79) | (89) | (112) | (129) | (153) |
| Loss from discontinued operations | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 439 |
| Adjusted shareholders' equity | \$23,612 | \$22,914 | \$22,764 | \$22,444 | \$22,307 | \$22,819 | \$23,368 | \$22,270 | \$21,570 | \$23,375 | \$25,458 | \$25,647 | \$25,783 | \$24,545 | \$22,227 |

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

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

Calculation of Return on Equity and Core Return on Equity

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

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

Calculation of Average Annual Core Return on Equity from January 1, 2005 through March 31, 2020

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

| (\$ in millions) | Twelve Months Ended December 31, | | | | | | | | | | | | | | |
|---|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Core income, less preferred dividends | \$2,537 | \$2,430 | \$2,043 | \$2,967 | \$3,437 | \$3,641 | \$3,567 | \$2,441 | \$1,389 | \$3,040 | \$3,597 | \$3,191 | \$4,496 | \$4,195 | \$2,020 |
| Adjusted average shareholders' equity | 23,335 | 22,814 | 22,743 | 22,386 | 22,681 | 23,447 | 23,004 | 22,158 | 22,806 | 24,285 | 25,777 | 25,668 | 25,350 | 23,381 | 21,118 |
| Core return on equity | 10.9% | 10.7% | 9.0% | 13.3% | 15.2% | 15.5% | 15.5% | 11.0% | 6.1% | 12.5% | 14.0% | 12.4% | 17.7% | 17.9% | 9.6% |

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

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

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

The Company's threshold for disclosing catastrophes is primarily determined at the reportable segment level. If a threshold for one segment or a combination thereof is exceeded and the other segments have losses from the same event, losses from the event are identified as catastrophe losses in the segment results and for the consolidated results of the Company. Additionally, an aggregate threshold is applied for international business across all reportable segments. The threshold for 2020 ranges from approximately \$20 million to \$30 million of losses before reinsurance and taxes.

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

Components of Net Income

| (\$ in millions, after-tax except as noted) | Three Months Ended March 31, | |
|---|---------------------------------|---------------|
| | 2020 | 2019 |
| Pre-tax underwriting gain excluding the impact of catastrophes and net prior year loss reserve development..... | \$ 594 | \$ 537 |
| Pre-tax impact of catastrophes | (333) | (193) |
| Pre-tax impact of net favorable prior year loss reserve development | 27 | 51 |
| Pre-tax underwriting gain | 288 | 395 |
| Income tax expense on underwriting results | 68 | 88 |
| Underwriting gain | 220 | 307 |
| Net investment income | 519 | 496 |
| Other income (expense), including interest expense | (63) | (48) |
| Core income | 676 | 755 |
| Net realized investment gains (losses) | (76) | 41 |
| Net income | \$ 600 | \$ 796 |

COMBINED RATIO AND ADJUSTMENTS FOR UNDERLYING COMBINED RATIO

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

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

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

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

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

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

Calculation of the Combined Ratio

| (\$ in millions, pre-tax) | Three Months Ended March 31, | |
|--|---------------------------------|-----------------|
| | 2020 | 2019 |
| Loss and loss adjustment expense ratio | | |
| Claims and claim adjustment expenses | \$ 4,789 | \$ 4,442 |
| Less: | | |
| Policyholder dividends | 12 | 13 |
| Allocated fee income | 41 | 40 |
| Loss ratio numerator | \$ 4,736 | \$ 4,389 |
| Underwriting expense ratio | | |
| Amortization of deferred acquisition costs | \$ 1,178 | \$ 1,117 |
| General and administrative expenses (G&A) | 1,137 | 1,057 |
| Less: | | |
| Non-insurance G&A | 55 | 47 |
| Allocated fee income | 67 | 69 |
| Billing and policy fees and other | 28 | 27 |
| Expense ratio numerator | \$ 2,165 | \$ 2,031 |
| Earned premium | \$ 7,229 | \$ 6,855 |
| Combined ratio (1) | | |
| Loss and loss adjustment expense ratio | 65.5% | 64.0% |
| Underwriting expense ratio | 30.0% | 29.7% |
| Combined ratio | 95.5% | 93.7% |

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

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

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

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

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

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

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

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

OTHER DEFINITIONS

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

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

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

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

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

For a glossary of other financial terms used in this press release, we refer you to the Company's most recent annual report on Form 10-K filed with the SEC on February 13, 2020, and subsequent periodic filings with the SEC.

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