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NYSE: TRV

Travelers Reports Excellent Fourth Quarter and Full Year Results, Including Strong Earnings and Premium Growth

Fourth Quarter 2021 Record Net Income per Diluted Share of $5.37 and Return on Equity of 18.6%

Fourth Quarter 2021 Record Core Income per Diluted Share of $5.20 and Core Return on Equity of 19.8%

Full Year Net Income of $3.662 billion, up 36%, and Return on Equity of 12.7%

Full Year Core Income of $3.522 billion, up 31%, and Core Return on Equity of 13.7%

- Record fourth quarter net income of $1.333 billion and record core income of $1.289 billion.
- Consolidated combined ratio of 88.0% and underlying combined ratio of 88.7%.
- Net written premiums of $7.995 billion, up 10% compared to the prior year quarter; record full year net written premiums of $31.959 billion, up 7% compared to the prior year.
- Net written premium growth in all three segments compared to the prior year quarter; Business Insurance up 9%, Bond & Specialty Insurance up 13% and Personal Insurance up 10%.
- Total capital returned to shareholders of $1.017 billion, including $801 million of share repurchases; full year total capital returned to shareholders of $3.076 billion, including $2.200 billion of share repurchases.
- Book value per share of $119.77, up 4% from year-end 2020; adjusted book value per share of $109.76, up 10% from year-end 2020.
- Board of Directors declares regular quarterly cash dividend of $0.88 per share.

New York, January 20, 2022 — The Travelers Companies, Inc. today reported net income of $1.333 billion, or $5.37 per diluted share, for the quarter ended December 31, 2021, compared to $1.310 billion, or $5.10 per diluted share, in the prior year quarter. Core income in the current quarter was $1.289 billion, or $5.20 per diluted share, compared to $1.262 billion, or $4.91 per diluted share, in the prior year quarter. Core income increased primarily due to higher net investment income and a higher underlying underwriting gain (i.e., excluding net prior year reserve development and catastrophe losses), partially offset by lower net favorable prior year reserve development. Net realized investment gains in the current quarter were $58 million pre-tax ($44 million after-tax), compared to $50 million pre-tax ($48 million after-tax) in the prior year quarter. Per diluted share amounts benefited from the impact of share repurchases.

Consolidated Highlights

($ in millions, except for per share amounts, and after-tax, except for premiums and revenues)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2021	2020	Change		2021	2020	Change	
Net written premiums	$ 7,995	$ 7,269	10 %		$31,959	$29,732	7 %	
Total revenues	$ 9,011	$ 8,397	7		$34,816	$31,981	9	
Net income	$ 1,333	$ 1,310	2		$ 3,662	$ 2,697	36	
per diluted share	*$ 5.37*	*$ 5.10*	*5*		*$ 14.49*	*$ 10.52*	*38*	
Core income	$ 1,289	$ 1,262	2		$ 3,522	$ 2,686	31	
per diluted share	*$ 5.20*	*$ 4.91*	*6*		*$ 13.94*	*$ 10.48*	*33*	
Diluted weighted average shares outstanding	246.4	254.8	(3)		250.8	254.6	(1)	
Combined ratio	88.0 %	86.7 %	1.3	pts	94.5 %	95.0 %	(0.5)	pts
Underlying combined ratio	88.7 %	88.7 %	—	pts	90.3 %	90.7 %	(0.4)	pts
Return on equity	18.6 %	18.4 %	0.2	pts	12.7 %	10.0 %	2.7	pts
Core return on equity	19.8 %	20.5 %	(0.7)	pts	13.7 %	11.3 %	2.4	pts

	As of		
	December 31, 2021	December 31, 2020	Change
Book value per share	$ 119.77	$ 115.68	4 %
Adjusted book value per share	109.76	99.54	10 %

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

“We are very pleased to report outstanding results for the fourth quarter and full year, including meaningful top line growth, strong margins and excellent returns from our investment portfolio,” said Alan Schnitzer, Chairman and Chief Executive Officer. “Another year of exceptional performance is a testament to our franchise value, underwriting excellence and investment expertise.

“Core income for the quarter was $1.3 billion, or $5.20 per diluted share, generating core return on equity of 19.8%. These results were driven by strong underlying underwriting income and returns from our investment portfolio. Our higher underlying underwriting income was driven by record net earned premiums of $8 billion and an excellent underlying combined ratio of 88.7%. For the full year, record underlying underwriting income of $2.3 billion after-tax contributed meaningfully to the 31% increase in core income to $3.5 billion, or $13.94 per diluted share. Our high-quality investment portfolio generated after-tax net investment income of $2.5 billion for the year. Our impressive operating results, together with our strong balance sheet, enabled us to grow adjusted book value per share by more than 10% during the year, after returning $3.1 billion of excess capital to shareholders, including $2.2 billion of share repurchases, and making important investments in our business.

“Our best-in-class marketplace execution enabled us to grow net written premiums by 10% this quarter to $8 billion, with each of our three segments contributing. In Business Insurance, net written premiums grew by 9%, with renewal premium change of 9.2% near an all-time high, while retention was higher than in the prior year quarter. In addition, new business was up 16% year over year. In Bond & Specialty Insurance, net written premiums increased by 13%, driven by renewal premium change of 10.9% and continued strong retention in our management liability business. In Personal Insurance, net written premiums increased by 10%. Policies in force in both Auto and Homeowners increased to record levels, driven by continued strong retention and new business. Renewal premium change improved in Auto to 1.2% and remained strong in Homeowners at 8.7%.

“Our *Perform and Transform* call to action once again served us well in 2021. In addition to delivering excellent financial results today, we continue to leverage our scale and resources to execute on our ambitious innovation agenda for tomorrow. We’re enriching 160 years of insurance expertise by investing in digital tools and virtual capabilities, deploying robotics and proprietary AI models, and hiring and developing top data scientists, engineers, roboticists and meteorologists, among others, to build the insurance company of the future. Looking forward, with the best talent in the industry, we remain well positioned to capitalize on opportunities and deliver industry leading returns.”

Consolidated Results

($ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31, 2021	2020	Change	Twelve Months Ended December 31, 2021	2020	Change
Underwriting gain:	**$ 926**	**$ 955**	**$ (29)**	**$ 1,542**	**$ 1,302**	**$ 240**
Underwriting gain includes:						
Net favorable prior year reserve development	*95*	*180*	*(85)*	*538*	*351*	*187*
Catastrophes, net of reinsurance	*(36)*	*(29)*	*(7)*	*(1,847)*	*(1,613)*	*(234)*
Net investment income	**743**	**677**	**66**	**3,033**	**2,227**	**806**
Other income (expense), including interest expense	**(77)**	**(66)**	**(11)**	**(288)**	**(294)**	**6**
Core income before income taxes	**1,592**	**1,566**	**26**	**4,287**	**3,235**	**1,052**
Income tax expense	**303**	**304**	**(1)**	**765**	**549**	**216**
Core income	**1,289**	**1,262**	**27**	**3,522**	**2,686**	**836**
Net realized investment gains after income taxes	**44**	**48**	**(4)**	**132**	**11**	**121**
Impact of changes in tax laws and/or tax rates (1)	**—**	**—**	**—**	**8**	**—**	**8**
Net income	**$ 1,333**	**$ 1,310**	**$ 23**	**$ 3,662**	**$ 2,697**	**$ 965**
Combined ratio	**88.0 %**	**86.7 %**	**1.3 pts**	**94.5 %**	**95.0 %**	**(0.5) pts**
Impact on combined ratio						
Net favorable prior year reserve development	(1.2) pts	(2.4) pts	1.2 pts	(1.8) pts	(1.2) pts	(0.6) pts
Catastrophes, net of reinsurance	0.5 pts	0.4 pts	0.1 pts	6.0 pts	5.5 pts	0.5 pts
Underlying combined ratio	**88.7 %**	**88.7 %**	**— pts**	**90.3 %**	**90.7 %**	**(0.4) pts**
Net written premiums						
Business Insurance	$ 3,966	$ 3,631	9 %	$16,092	$15,431	4 %
Bond & Specialty Insurance	905	800	13	3,376	2,951	14
Personal Insurance	3,124	2,838	10	12,491	11,350	10
Total	**$ 7,995**	**$ 7,269**	**10 %**	**$31,959**	**$29,732**	**7 %**

(1) Impact is recognized in the accounting period in which the change is enacted

Fourth Quarter 2021 Results

(All comparisons vs. fourth quarter 2020, unless noted otherwise)

Net income of $1.333 billion increased $23 million, primarily due to higher core income. Core income of $1.289 billion increased $27 million, primarily due to higher net investment income and a higher underlying underwriting gain, partially offset by lower net favorable prior year reserve development. The underlying underwriting gain benefited from higher business volumes. Net realized investment gains were $58 million pre-tax ($44 million after-tax), compared to $50 million pre-tax ($48 million after-tax) in the prior year quarter.

Combined ratio:

- The combined ratio of 88.0% increased 1.3 points due to lower net favorable prior year reserve development (1.2 points) and higher catastrophe losses (0.1 points).
- The underlying combined ratio of 88.7% was comparable to the prior year quarter. See below for further details by segment.
- Net favorable prior year reserve development in Business Insurance and Bond & Specialty Insurance was partially offset by net unfavorable prior year reserve development in Personal Insurance. See below for further details by segment.
- Catastrophe losses primarily resulted from tornado activity in Kentucky, windstorms in multiple states and a wildfire in Colorado. Catastrophe and non-catastrophe weather-related losses in the fourth quarter of 2021

were reduced by $255 million of recoveries available under the Company's 2021 Underlying Property Aggregate Catastrophe Excess-of-Loss Reinsurance Treaty. There were no recoveries under the Company's 2020 Underlying Property Aggregate Catastrophe Excess-of-Loss Reinsurance Treaty in the fourth quarter of 2020, as the treaty was fully utilized in the third quarter of 2020.

Net investment income of $743 million pre-tax ($624 million after-tax) increased 10%. Income from the non-fixed income investment portfolio increased over the prior year quarter, primarily due to higher private equity and real estate partnership returns. Non-fixed income returns are generally reported on a one-quarter lagged basis and directionally follow the broader equity markets. Income from the fixed income investment portfolio increased slightly over the prior year quarter, primarily due to growth in fixed maturity investments, partially offset by lower interest rates.

Net written premiums of $7.995 billion increased 10%. See below for further details by segment.

Full Year 2021 Results

(All comparisons vs. full year 2020, unless noted otherwise)

Net income of $3.662 billion increased $965 million, primarily due to higher core income and higher net realized investment gains. Core income of $3.522 billion increased by $836 million, primarily due to higher net investment income, a higher underlying underwriting gain and higher net favorable prior year reserve development, partially offset by higher catastrophe losses. The underlying underwriting gain benefited from higher business volumes. Net realized investment gains were $171 million pre-tax ($132 million after-tax), compared to $2 million pre-tax ($11 million after-tax) in the prior year.

Combined ratio:

- The combined ratio of 94.5% improved 0.5 points due to higher net favorable prior year reserve development (0.6 points) and a lower underlying combined ratio (0.4 points), partially offset higher catastrophe losses (0.5 points).

- The underlying combined ratio of 90.3% improved 0.4 points. See below for further details by segment.

- Net favorable prior year reserve development occurred in all segments. See below for further details by segment.

- Catastrophe losses included the fourth quarter events described above, as well as Hurricane Ida, winter storms and severe wind and hail storms in several regions of the United States in the first nine months of 2021. Catastrophe and non-catastrophe weather-related losses in 2021 were reduced by $350 million of recoveries available under the Company's 2021 Underlying Property Aggregate Catastrophe Excess-of-Loss Reinsurance Treaty. Catastrophe and non-catastrophe weather-related losses in 2020 were reduced by $280 million of recoveries available under the Company's 2020 Underlying Property Aggregate Catastrophe Excess-of-Loss Reinsurance Treaty.

Net investment income of $3.033 billion pre-tax ($2.541 billion after-tax) increased 36%. Income from the non-fixed income investment portfolio increased from the prior year, primarily due to higher private equity partnership returns. Income from the fixed income investment portfolio decreased from the prior year, primarily due to lower interest rates, partially offset by growth in fixed maturity investments.

Net written premiums of $31.959 billion increased 7%. See below for further details by segment.

Shareholders' Equity

Shareholders' equity of $28.887 billion decreased 1% from year-end 2020, primarily due to lower net unrealized investment gains resulting from higher interest rates, common share repurchases and dividends to shareholders, partially offset by net income of $3.662 billion. Net unrealized investment gains included in shareholders' equity were $3.060 billion pre-tax ($2.415 billion after-tax) compared to $5.175 billion pre-tax ($4.074 billion after-tax) at year-end 2020. Book value per share of $119.77 increased 4% over year-end 2020. Adjusted book value per share of $109.76, which excludes net unrealized investment gains, increased 10% over year-end 2020.

The Company repurchased 5.1 million shares during the fourth quarter at an average price of $156.26 per share for a total of $801 million. At December 31, 2021, the Company had $4.005 billion of capacity remaining under its share repurchase authorization approved by the Board of Directors. At the end of the quarter, statutory capital and surplus was $23.906 billion, and the ratio of debt-to-capital was 20.2%. The ratio of debt-to-capital excluding after-tax net unrealized investment gains included in shareholders' equity was 21.6%, within the Company's target range of 15% to 25%.

The Board of Directors declared a regular quarterly dividend of $0.88 per share. The dividend is payable on March 31, 2022 to shareholders of record at the close of business on March 10, 2022.

Business Insurance Segment Financial Results

($ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31, 2021	2020	Change	Twelve Months Ended December 31, 2021	2020	Change
Underwriting gain (loss):	**$ 523**	**$ 382**	**$ 141**	**$ 640**	**$ (90)**	**$ 730**
Underwriting gain (loss) includes:						
Net favorable (unfavorable) prior year reserve development	*74*	*124*	*(50)*	*173*	*(91)*	*264*
Catastrophes, net of reinsurance	*43*	*24*	*19*	*(793)*	*(645)*	*(148)*
Net investment income	**552**	**502**	**50**	**2,265**	**1,633**	**632**
Other income (expense)	**(7)**	**(5)**	**(2)**	**(21)**	**(21)**	**—**
Segment income before income taxes	**1,068**	**879**	**189**	**2,884**	**1,522**	**1,362**
Income tax expense	**201**	**166**	**35**	**499**	**213**	**286**
Segment income	**$ 867**	**$ 713**	**$ 154**	**$ 2,385**	**$ 1,309**	**$ 1,076**
Combined ratio	**87.0 %**	**89.8 %**	**(2.8) pts**	**95.7 %**	**100.3 %**	**(4.6) pts**
Impact on combined ratio						
Net (favorable) unfavorable prior year reserve development	(1.8) pts	(3.2) pts	1.4 pts	(1.1) pts	0.6 pts	(1.7) pts
Catastrophes, net of reinsurance	(1.0) pts	(0.6) pts	(0.4) pts	5.1 pts	4.2 pts	0.9 pts
Underlying combined ratio	**89.8 %**	**93.6 %**	**(3.8) pts**	**91.7 %**	**95.5 %**	**(3.8) pts**
Net written premiums by market						
Domestic						
Select Accounts	$ 693	$ 630	10 %	$ 2,833	$ 2,821	— %
Middle Market	2,210	2,012	10	8,933	8,511	5
National Accounts	256	241	6	987	996	(1)
National Property and Other	535	471	14	2,265	2,086	9
Total Domestic	3,694	3,354	10	15,018	14,414	4
International	272	277	(2)	1,074	1,017	6
Total	**$3,966**	**$3,631**	**9 %**	**$16,092**	**$15,431**	**4 %**

Fourth Quarter 2021 Results

(All comparisons vs. fourth quarter 2020, unless noted otherwise)

Segment income for Business Insurance was $867 million after-tax, an increase of $154 million. Segment income increased primarily due to a higher underlying underwriting gain and higher net investment income, partially offset by lower net favorable prior year reserve development. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 87.0% improved 2.8 points due to a lower underlying combined ratio (3.8 points) and a higher benefit related to catastrophe losses (0.4 points), partially offset by lower net favorable prior year reserve development (1.4 points).

- The underlying combined ratio of 89.8% improved 3.8 points, primarily reflecting earned pricing that exceeded loss cost trends, a favorable impact associated with the pandemic, a lower level of property losses and a lower expense ratio.

- Net favorable prior year reserve development was primarily driven by better than expected loss experience in domestic operations in the workers' compensation product line for multiple accident years.

Net written premiums of $3.966 billion increased 9%, reflecting strong renewal premium change and retention, as well as higher new business levels.

Full Year 2021 Results

(All comparisons vs. full year 2020, unless noted otherwise)

Segment income for Business Insurance was $2.385 billion after-tax, an increase of $1.076 billion. Segment income increased primarily due to higher net investment income, a higher underlying underwriting gain and net favorable prior year reserve development (compared to net unfavorable prior year reserve development in the prior year), partially offset by higher catastrophe losses. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 95.7% improved 4.6 points due to a lower underlying combined ratio (3.8 points) and net favorable prior year reserve development compared to net unfavorable prior year reserve development in the prior year (1.7 points), partially offset by higher catastrophe losses (0.9 points).

- The underlying combined ratio of 91.7% improved 3.8 points, primarily reflecting earned pricing that exceeded loss cost trends and a favorable impact associated with the pandemic.

- Net favorable prior year reserve development was primarily driven by better than expected loss experience in domestic operations in the workers' compensation product line for multiple accident years and in the commercial property and commercial automobile product lines for recent accident years, as well as better than expected loss experience in the segment's international operations for recent accident years, partially offset by an increase in asbestos reserves of $225 million, an increase in other reserves related to run-off operations and an increase to environmental reserves. Net unfavorable prior year reserve development in the prior year included an increase in asbestos reserves of $295 million.

Net written premiums of $16.092 billion increased 4%, and benefited from strong renewal premium change and retention.

Bond & Specialty Insurance Segment Financial Results

($ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31, 2021	2020	Change	Twelve Months Ended December 31, 2021	2020	Change
Underwriting gain:	**$ 147**	**$ 138**	**$ 9**	**$ 569**	**$ 346**	**$ 223**
Underwriting gain includes:						
Net favorable (unfavorable) prior year reserve development	*24*	*32*	*(8)*	*105*	*(1)*	*106*
Catastrophes, net of reinsurance	*(10)*	*(1)*	*(9)*	*(40)*	*(11)*	*(29)*
Net investment income	**61**	**58**	**3**	**247**	**213**	**34**
Other income	**4**	**8**	**(4)**	**17**	**21**	**(4)**
Segment income before income taxes	**212**	**204**	**8**	**833**	**580**	**253**
Income tax expense	**42**	**40**	**2**	**165**	**107**	**58**
Segment income	**$ 170**	**$ 164**	**$ 6**	**$ 668**	**$ 473**	**$ 195**
Combined ratio	**81.5 %**	**80.9 %**	**0.6 pts**	**81.5 %**	**87.4 %**	**(5.9) pts**
Impact on combined ratio						
Net (favorable) unfavorable prior year reserve development	(3.0) pts	(4.2) pts	1.2 pts	(3.3) pts	— pts	(3.3) pts
Catastrophes, net of reinsurance	1.2 pts	0.1 pts	1.1 pts	1.3 pts	0.4 pts	0.9 pts
Underlying combined ratio	**83.3 %**	**85.0 %**	**(1.7) pts**	**83.5 %**	**87.0 %**	**(3.5) pts**
Net written premiums						
Domestic						
Management Liability	$ 510	$ 463	10 %	$ 1,983	$ 1,769	12 %
Surety	215	202	6	888	845	5
Total Domestic	725	665	9	2,871	2,614	10
International	180	135	33	505	337	50
Total	**$ 905**	**$ 800**	**13 %**	**$ 3,376**	**$ 2,951**	**14 %**

Fourth Quarter 2021 Results

(All comparisons vs. fourth quarter 2020, unless noted otherwise)

Segment income for Bond & Specialty Insurance was $170 million after-tax, an increase of $6 million. Segment income increased primarily due to a higher underlying underwriting gain, partially offset by higher catastrophe losses and lower net favorable prior year reserve development. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 81.5% increased 0.6 points due to lower net favorable prior year reserve development (1.2 points) and higher catastrophe losses (1.1 points), partially offset by a lower underlying combined ratio (1.7 points).
- The underlying combined ratio of 83.3% improved 1.7 points, primarily reflecting earned pricing that exceeded loss cost trends and a lower expense ratio.
- Net favorable prior year reserve development was primarily driven by better than expected loss experience in the segment's domestic operations in the fidelity and surety product lines for recent accident years.

Net written premiums of $905 million increased 13%, reflecting strong retention and renewal premium change in management liability and strong production in surety.

Full Year 2021 Results

(All comparisons vs. full year 2020, unless noted otherwise)

Segment income for Bond & Specialty Insurance was $668 million after-tax, an increase of $195 million. Segment income increased primarily due to a higher underlying underwriting gain, net favorable prior year reserve development in the current year (compared to an insignificant amount of net unfavorable prior year reserve development in the prior year) and higher net investment income, partially offset by higher catastrophe losses. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 81.5% improved 5.9 points due to a lower underlying combined ratio (3.5 points) and net favorable prior year reserve development in the current year (3.3 points), partially offset by higher catastrophe losses (0.9 points).

- The underlying combined ratio of 83.5% improved 3.5 points, primarily reflecting earned pricing that exceeded loss cost trends, a lower level of losses associated with the pandemic and a lower expense ratio.

- Net favorable prior year reserve development was primarily driven by better than expected loss experience in the segment's domestic operations in the fidelity and surety product lines for multiple accident years, partially offset by higher than expected loss experience in the general liability product line for management liability coverages for multiple accident years.

Net written premiums of $3.376 billion increased 14%, driven by the same factors described above for the fourth quarter of 2021.

Personal Insurance Segment Financial Results

($ in millions and pre-tax, unless noted otherwise)	Three Months Ended December 31, 2021	2020	Change	Twelve Months Ended December 31, 2021	2020	Change
Underwriting gain:	**$ 256**	**$ 435**	**$ (179)**	**$ 333**	**$ 1,046**	**$ (713)**
Underwriting gain includes:						
Net favorable (unfavorable) prior year reserve development	*(3)*	*24*	*(27)*	*260*	*443*	*(183)*
Catastrophes, net of reinsurance	*(69)*	*(52)*	*(17)*	*(1,014)*	*(957)*	*(57)*
Net investment income	**130**	**117**	**13**	**521**	**381**	**140**
Other income	**21**	**23**	**(2)**	**85**	**76**	**9**
Segment income before income taxes	**407**	**575**	**(168)**	**939**	**1,503**	**(564)**
Income tax expense	**80**	**118**	**(38)**	**179**	**308**	**(129)**
Segment income	**$ 327**	**$ 457**	**$ (130)**	**$ 760**	**$ 1,195**	**$ (435)**
Combined ratio	**91.1 %**	**84.1 %**	**7.0 pts**	**96.5 %**	**89.7 %**	**6.8 pts**
Impact on combined ratio						
Net (favorable) unfavorable prior year reserve development	0.1 pts	(0.8) pts	0.9 pts	(2.2) pts	(4.1) pts	1.9 pts
Catastrophes, net of reinsurance	2.3 pts	1.8 pts	0.5 pts	8.5 pts	8.8 pts	(0.3) pts
Underlying combined ratio	**88.7 %**	**83.1 %**	**5.6 pts**	**90.2 %**	**85.0 %**	**5.2 pts**
Net written premiums						
Domestic						
Automobile	$ 1,456	$ 1,348	8 %	$ 5,827	$ 5,369	9 %
Homeowners and Other	1,504	1,330	13	5,980	5,329	12
Total Domestic	2,960	2,678	11	11,807	10,698	10
International	164	160	3	684	652	5
Total	**$ 3,124**	**$ 2,838**	**10 %**	**$12,491**	**$11,350**	**10 %**

Fourth Quarter 2021 Results

(All comparisons vs. fourth quarter 2020, unless noted otherwise)

Segment income for Personal Insurance was $327 million after-tax, a decrease of $130 million. Segment income decreased primarily due to a lower underlying underwriting gain, net unfavorable prior year reserve development (compared to net favorable prior year reserve development in the prior year quarter) and higher catastrophe losses, partially offset by higher net investment income. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 91.1% increased 7.0 points due to a higher underlying combined ratio (5.6 points), net unfavorable prior year reserve development compared to favorable prior year reserve development in the prior year quarter (0.9 points) and higher catastrophe losses (0.5 points).

- The underlying combined ratio of 88.7% increased 5.6 points, primarily driven by higher losses in the automobile product line due to a comparison to a low level of loss activity in the prior year quarter as a result of the pandemic and, to a lesser extent, elevated severity in the current quarter, partially offset by lower losses in the homeowners and other product line.

- Net unfavorable prior year reserve development was not significant in the quarter.

Net written premiums of $3.124 billion increased 10%. Domestic Automobile net written premiums increased 8%, driven by strong retention and new business. Domestic Homeowners and Other net written premiums increased 13%, driven by strong retention and renewal premium change of 8.7%.

Full Year 2021 Results

(All comparisons vs. full year 2020, unless noted otherwise)

Segment income for Personal Insurance was $760 million after-tax, a decrease of $435 million. Segment income decreased primarily due to a lower underlying underwriting gain, lower net favorable prior year reserve development and higher catastrophe losses, partially offset by higher net investment income. The underlying underwriting gain benefited from higher business volumes.

Combined ratio:

- The combined ratio of 96.5% increased 6.8 points due to a higher underlying combined ratio (5.2 points) and lower net favorable prior year reserve development (1.9 points), partially offset by a smaller impact from catastrophe losses (0.3 points).

- The underlying combined ratio of 90.2% increased 5.2 points, primarily driven by higher losses in the automobile product line due to a comparison to a low level of loss activity (net of premium refunds) in the prior year as a result of the pandemic and, to a lesser extent, elevated severity in the current year and higher losses in the homeowners and other product line.

- Net favorable prior year reserve development was primarily driven by better than expected loss experience in the segment's domestic operations in both the homeowners and other and automobile product lines for recent accident years.

Net written premiums of $12.491 billion increased 10%. Excluding premium refunds provided to personal automobile customers primarily in 2020, net written premiums increased 8%. Domestic Automobile net written premiums increased 9%. Excluding the impact of premium refunds, Domestic Automobile net written premiums increased 4%, driven by strong retention and higher levels of new business. Domestic Homeowners and Other net written premiums increased 12%, driven by strong retention, renewal premium change of 8.3% 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 Thursday, January 20, 2022. 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, replays will be available via webcast for one year at http://investor.travelers.com and by telephone for 30 days by dialing 1.800.585.8367 within the United States or 1.416.621.4642 outside the United States. All callers should use conference ID 4999622.

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 $35 billion in 2021. 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 products and 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 offers surety, fidelity, management liability, professional liability, and other property and casualty coverages and related risk management services to its customers, primarily in the United States, and certain surety and specialty insurance products in Canada, the United Kingdom and the Republic of Ireland, as well as Brazil through a joint venture, in each case utilizing various degrees of financially-based underwriting approaches.

Personal Insurance - Personal Insurance offers a broad range of property and casualty insurance products and services 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," "views," "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, the impact of trends on its business and its future results of operations and financial condition;
- the impact of COVID-19 and related economic conditions;
- the impact of legislative or regulatory actions or court decisions taken in response to COVID-19 or otherwise;
- share repurchase plans;
- 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;
- catastrophe losses;
- the impact of investment, economic and underwriting market conditions, including inflation;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company's competitive advantages and innovation agenda;
- new product offerings; and
- the impact of developments in the tort environment.

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:

Insurance-Related Risks

- high levels of catastrophe losses;
- actual claims may exceed the Company's claims and claim adjustment expense reserves, or the estimated level of claims and claim adjustment expense reserves may increase, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments;
- the Company's potential exposure to asbestos and environmental claims and related litigation;
- the Company is exposed to, and may face adverse developments involving, mass tort claims; and
- the effects of emerging claim and coverage issues on the Company's business are uncertain, and court decisions or legislative changes that take place after the Company issues its policies can result in an unexpected increase in the number of claims.

Financial, Economic and Credit Risks

- a period of financial market disruption or an economic downturn;
- the Company's investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
- the Company is exposed to credit risk related to reinsurance and structured settlements, and reinsurance coverage may not be available to the Company;
- 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;
- a downgrade in the Company's claims-paying and financial strength ratings; and
- the Company's insurance subsidiaries may be unable to pay dividends to the Company's holding company in sufficient amounts.

Business and Operational Risks

- the impact of COVID-19 and related risks, including with respect to revenues, claims and claim adjustment expenses, general and administrative expenses, investments, inflation, adverse legislative and/or regulatory action, operational disruptions and heightened cyber security risks and foreign currency exchange rate changes;
- 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;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape;
- the Company's efforts to develop new products, expand in targeted markets, improve business processes and workflows or make acquisitions may not be successful and may create enhanced risks;
- the Company's pricing and capital models may provide materially different indications than actual results;
- 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; and
- the Company is subject to additional risks associated with its business outside the United States.

Technology and Intellectual Property Risks

- as a result of cyber attacks or otherwise, the Company may experience difficulties with technology, data and network security or outsourcing relationships;
- the Company's dependence on effective information technology systems and on continuing to develop and implement improvements in technology; and
- the Company may be unable to protect and enforce its own intellectual property or may be subject to claims for infringing the intellectual property of others.

Regulatory and Compliance Risks

- changes in regulation, including higher tax rates; and
- the Company's compliance controls may not be effective.

In addition, 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, changes in tax laws and other factors, including the ongoing 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," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Forward Looking Statements" in the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on October 19, 2021, and in our most recent annual report on Form 10-K filed with the SEC on February 11, 2021, 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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ in millions, after-tax)	2021	2020	2021	2020
Net income	**$ 1,333**	**$ 1,310**	**$ 3,662**	**$ 2,697**
Adjustments:				
Net realized investment gains	(44)	(48)	(132)	(11)
Impact of changes in tax laws and/or tax rates (1)	—	—	(8)	—
Core income	**$ 1,289**	**$ 1,262**	**$ 3,522**	**$ 2,686**

(1) Impact is recognized in the accounting period in which the change is enacted

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ in millions, pre-tax)	2021	2020	2021	2020
Net income	**$ 1,650**	**$ 1,616**	**$ 4,458**	**$ 3,237**
Adjustments:				
Net realized investment gains	(58)	(50)	(171)	(2)
Core income	**$ 1,592**	**$ 1,566**	**$ 4,287**	**$ 3,235**

	Twelve Months Ended December 31,															
($ in millions, after-tax)	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Net income	**$2,697**	**$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	**2,697**	**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	(11)	(85)	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of changes in tax laws and/or tax rates (1) (2)	—	—	—	129	—	—	—	—	—	—	—	—	—	—	—	—
Core income	**2,686**	**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	**$2,686**	**$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) Impact is recognized in the accounting period in which the change is enacted
(2) 2017 reflects impact of Tax Cuts and Jobs Act of 2017 (TCJA)

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Basic income per share				
Net income	**$ 5.43**	**$ 5.13**	**$ 14.63**	**$ 10.56**
Adjustments:				
Net realized investment gains, after-tax	(0.18)	(0.19)	(0.53)	(0.04)
Impact of changes in tax laws and/or tax rates (1)	—	—	(0.03)	—
Core income	**$ 5.25**	**$ 4.94**	**$ 14.07**	**$ 10.52**
Diluted income per share				
Net income	**$ 5.37**	**$ 5.10**	**$ 14.49**	**$ 10.52**
Adjustments:				
Net realized investment gains, after-tax	(0.17)	(0.19)	(0.52)	(0.04)
Impact of changes in tax laws and/or tax rates (1)	—	—	(0.03)	—
Core income	**$ 5.20**	**$ 4.91**	**$ 13.94**	**$ 10.48**

(1) Impact is recognized in the accounting period in which the change is enacted

Reconciliation of Segment Income to Total Core Income

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ in millions, after-tax)	**2021**	**2020**	**2021**	**2020**
Business Insurance	$ 867	$ 713	$ 2,385	$ 1,309
Bond & Specialty Insurance	170	164	668	473
Personal Insurance	327	457	760	1,195
Total segment income	1,364	1,334	3,813	2,977
Interest Expense and Other	(75)	(72)	(291)	(291)
Total core income	**$ 1,289**	**$ 1,262**	**$ 3,522**	**$ 2,686**

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

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

Reconciliation of Shareholders' Equity to Adjusted Shareholders' Equity

	As of December 31,																
($ in millions)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Shareholders' equity	$28,887	$29,201	$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	(2,415)	(4,074)	(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	(132)	(11)	(85)	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of changes in tax laws and/or tax rates (1) (2)	(8)	—	—	—	287	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock	—	—	—	—	—	—	—	—	—	—	—	(68)	(79)	(89)	(112)	(129)	(153)
Loss from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	439
Adjusted shareholders' equity	$26,332	$25,116	$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

(1) Impact is recognized in the accounting period in which the change is enacted
(2) 2017 reflects impact of Tax Cuts and Jobs Act of 2017 (TCJA)

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ in millions, after-tax)	**2021**	**2020**	**2021**	**2020**
Annualized net income	$ 5,333	$ 5,236	$ 3,662	$ 2,697
Average shareholders' equity	28,680	28,525	28,735	26,892
Return on equity	**18.6 %**	**18.4 %**	**12.7 %**	**10.0 %**
Annualized core income	$ 5,159	$ 5,044	$ 3,522	$ 2,686
Adjusted average shareholders' equity	26,101	24,558	25,718	23,790
Core return on equity	**19.8 %**	**20.5 %**	**13.7 %**	**11.3 %**

	Twelve Months Ended December 31,															
($ in millions)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Core income, less preferred dividends	$2,686	$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	23,790	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	11.3%	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 2021 ranges from $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 December 31, 2021	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2021	Twelve Months Ended December 31, 2020
Pre-tax underwriting gain excluding the impact of catastrophes and net prior year loss reserve development	$ 867	$ 804	$ 2,851	$ 2,564
Pre-tax impact of catastrophes	(36)	(29)	(1,847)	(1,613)
Pre-tax impact of net favorable prior year loss reserve development	95	180	538	351
Pre-tax underwriting gain	926	955	1,542	1,302
Income tax expense on underwriting results	197	214	326	292
Underwriting gain	729	741	1,216	1,010
Net investment income	624	572	2,541	1,908
Other income (expense), including interest expense	(64)	(51)	(235)	(232)
Core income	**1,289**	**1,262**	**3,522**	**2,686**
Net realized investment gains	44	48	132	11
Impact of changes in tax laws and/or tax rates (1)	—	—	8	—
Net income	**$ 1,333**	**$ 1,310**	**$ 3,662**	**$ 2,697**

(1) Impact is recognized in the accounting period in which the change is enacted

Reconciliation of after-tax underlying underwriting income (also known as underlying underwriting gain) to net income

	Twelve Months Ended December 31,										
($ in millions, after-tax)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Underlying underwriting income	$ 2,251	$ 2,008	$ 1,400	$ 1,522	$ 1,239	$ 1,265	$ 1,446	$ 1,430	$ 1,277	$ 888	$ 451
Impact of catastrophes	(1,459)	(1,274)	(699)	(1,355)	(1,267)	(576)	(338)	(462)	(387)	(1,214)	(1,669)
Impact of net favorable (unfavorable) prior year reserve development	424	276	(47)	409	378	510	617	616	552	622	473
Underwriting income (loss)	**1,216**	**1,010**	**654**	**576**	**350**	**1,199**	**1,725**	**1,584**	**1,442**	**296**	**(745)**
Net investment income	2,541	1,908	2,097	2,102	1,872	1,846	1,905	2,216	2,186	2,316	2,330
Other income (expense), including interest expense	(235)	(232)	(214)	(248)	(179)	(78)	(193)	(159)	(61)	(171)	(195)
Core income	**3,522**	**2,686**	**2,537**	**2,430**	**2,043**	**2,967**	**3,437**	**3,641**	**3,567**	**2,441**	**1,390**
Net realized investment gains	132	11	85	93	142	47	2	51	106	32	36
Impact of changes in tax laws and/or tax rates (1) (2)	8	—	—	—	(129)	—	—	—	—	—	—
Net income	**$ 3,662**	**$ 2,697**	**$ 2,622**	**$ 2,523**	**$ 2,056**	**$ 3,014**	**$ 3,439**	**$ 3,692**	**$ 3,673**	**$ 2,473**	**$ 1,426**

(1) Impact is recognized in the accounting period in which the change is enacted
(2) 2017 reflects impact of Tax Cuts and Jobs Act of 2017 (TCJA)

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ in millions, pre-tax)	2021	2020	2021	2020
Loss and loss adjustment expense ratio				
Claims and claim adjustment expenses	$ 4,819	$ 4,341	$20,298	$19,123
Less:				
Policyholder dividends	10	10	41	41
Allocated fee income	37	41	150	161
Loss ratio numerator	**$ 4,772**	**$ 4,290**	**$20,107**	**$18,921**
Underwriting expense ratio				
Amortization of deferred acquisition costs	$ 1,301	$ 1,215	$ 5,043	$ 4,773
General and administrative expenses (G&A)	1,153	1,142	4,677	4,509
Less:				
Non-insurance G&A	75	67	303	234
Allocated fee income	63	65	252	268
Billing and policy fees and other	26	28	107	97
Expense ratio numerator	**$ 2,290**	**$ 2,197**	**$ 9,058**	**$ 8,683**
Earned premium	**$ 8,024**	**$ 7,480**	**$30,855**	**$29,044**
Combined ratio (1)				
Loss and loss adjustment expense ratio	59.5 %	57.3 %	65.1 %	65.1 %
Underwriting expense ratio	28.5 %	29.4 %	29.4 %	29.9 %
Combined ratio	**88.0 %**	**86.7 %**	**94.5 %**	**95.0 %**

(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. These allocations are to conform the calculation of the combined ratio with statutory accounting. Additionally, general and administrative expenses 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 December 31, 2021	As of December 31, 2020
Shareholders' equity	**$ 28,887**	**$ 29,201**
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	2,415	4,074
Shareholders' equity, excluding net unrealized investment gains, net of tax, included in shareholders' equity	**26,472**	**25,127**
Less:		
Goodwill	4,008	3,976
Other intangible assets	306	317
Impact of deferred tax on other intangible assets	(66)	(59)
Tangible shareholders' equity	**$ 22,224**	**$ 20,893**
Common shares outstanding	241.2	252.4
Book value per share	$ 119.77	$ 115.68
Adjusted book value per share	109.76	99.54
Tangible book value per share	92.15	82.77

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 December 31, 2021	As of December 31, 2020
Debt	$ 7,290	$ 6,550
Shareholders' equity	28,887	29,201
Total capitalization	**36,177**	**35,751**
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	2,415	4,074
Total capitalization excluding net unrealized gain on investments, net of tax, included in shareholders' equity	**$ 33,762**	**$ 31,677**
Debt-to-capital ratio	20.2 %	18.3 %
Debt-to-capital ratio excluding net unrealized investment gains, net of tax, included in shareholders' equity	21.6 %	20.7 %

RECONCILIATION OF INVESTED ASSETS TO INVESTED ASSETS EXCLUDING NET UNREALIZED INVESTMENT GAINS (LOSSES)

($ in millions, after-tax)	Twelve Months Ended December 31, 2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Invested assets	$ 87,375	$ 84,423	$ 77,884	$ 72,278	$ 72,502	$ 70,488	$ 70,470	$ 73,261	$ 73,160	$ 73,838	$ 72,701
Less: Net unrealized investment gains (losses), pre-tax	3,060	5,175	2,853	(137)	1,414	1,112	1,974	3,008	2,030	4,761	4,399
Invested assets excluding net unrealized investment gains (losses)	**$ 84,315**	**$ 79,248**	**$ 75,031**	**$ 72,415**	**$ 71,088**	**$ 69,376**	**$ 68,496**	**$ 70,253**	**$ 71,130**	**$ 69,077**	**$ 68,302**

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. For each of the segments, production statistics referred to herein are domestic only unless otherwise indicated.

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 11, 2021, and subsequent periodic filings with the SEC.

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