

Flash Comment — July 23, 2024

Commercial Lines Insurance

The Travelers Companies, Inc. (TRV)

TRV: Reserves Take Center Stage; Sell-Side Meeting Soundbites

Our Call

TRV hosted a sell-side meeting post Q2 EPS. In a word the focus was on reserves post the \$250m reserve addition in Q2. TRV wanted the message to be that there was a different level of confidence as they took action on some very immature years.

Initial Thoughts

Reserves: TRV adjusted its GL loss development factors to allow for rising settlement costs and lengthening settlement patterns. TRV believes they are ahead of the industry given the movement they have seen in loss picks relative to starting points in Other Liability Occurrence, which we show [inside](#). While we believe TRV could be ahead of the industry we are not convinced that there will not be future additions, and we will need quarters of no noise for us to be comfortable in no future charges.

Not promising there won't be more: While not saying they will not take another GL charge, TRV wanted the messaging to be that there is a different level of confidence this quarter as they proactively and decisively added IBNR to very immature accident years. Travelers said that they looked at what was going on with actual versus expected, and they were not willing to bank on this being a one quarter event and instead are now applying the claims patterns across all claims they are going to see.

What got worse in the past three months: When asked what got worse in the past three months, they said it was a combination of stuff including an aggressive plaintiff bar, third-party litigation, and sympathetic juries and judges. **Selective** (which also added to GL reserves in Q2) said they took up their loss trend assumption in GL from 4% in 2020 to 9% in 2024. When asked, TRV said they do not provide loss trend by line, but did say that they did not see the same doubling of trend that SIGI saw.

Did not affect current accident year: Travelers said that the Q2 GL reserve addition did not affect the current accident year, as the accident year is the aggregate of all lines, which have puts and takes. Further, they had already reflected this, as on their Q1 call they said that they had some extra IBNR in the current accident year for the uncertainty environment. On the pricing side, TRV said that they are already seeing upward pressure on pricing, which they expect to accelerate.

What else: Home: The 5 points of favorable non-cat weather in home was from fire and non-cat weather water. **Auto:** The 2.5 points of favorability called out in auto was from frequency and severity that were better than TRV expected. **CrowdStrike:** CrowdStrike could lead to BI losses and most cyber policies have BI coverage in them. Based on the event and its policy forms, TRV said that it is not high up on its worry list. Its hours clauses are typically 8-24 (and maybe 48) hours.

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The Travelers Companies, Inc. (TRV)

Equal Weight

Price: \$208.53/Price Target: \$206.00

Market Cap: \$47,531 MM

Note: Pricing as of 07/23/2024

Source: Company Data, Wells Fargo Securities estimates, and Factset.

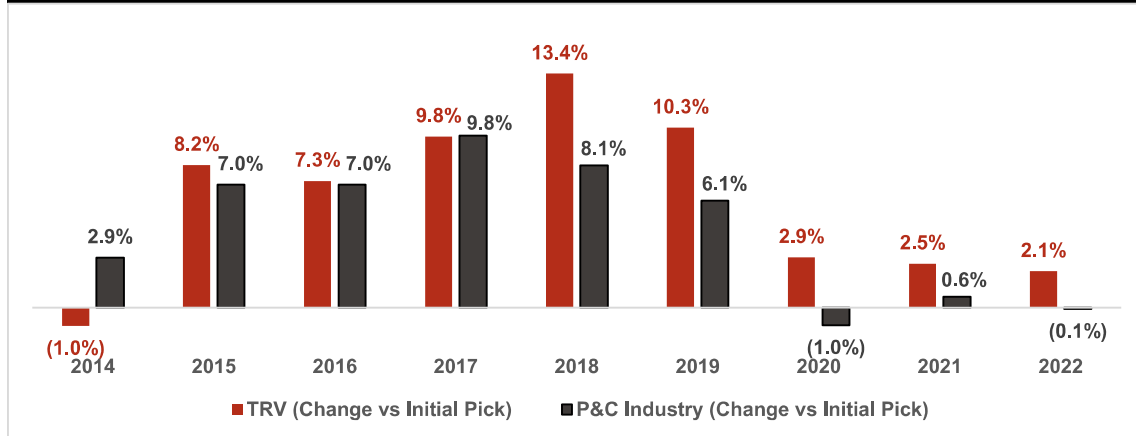
Other Liability Occurrence—Incurred Loss Ratios

Other liability occurrence loss picks. Below we show the initial versus developed loss picks for the Other Liability Occurrence line for TRV and the industry. Travelers highlighted that they have seen more development on years relative to the rest of the industry. They characterized themselves as outperforming in the mature years (2014-2016), being most responsive in the middle year (2017-2019) and being early in the green years (2020-2023). The below data is as of YE 2023, so is before the \$350m of additions they took on accident years 2021-2023 so far this year. In the back we also show the other liability occurrence and paid loss trends for the other commercial insurers under our coverage (AIG, CB, HIG, WRB, as well as for the P&C industry),

Exhibit 1 - Current vs Initial Picks for Other Liability Occurrence for TRV and the Industry

TRV	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial Loss Pick	54.0%	52.9%	54.6%	54.9%	58.1%	62.5%	60.7%	58.3%	57.4%	63.4%
Current Loss Pick	52.9%	61.1%	61.9%	64.7%	71.5%	72.8%	63.6%	60.8%	59.5%	NM
Change vs Initial	(1.0%)	8.2%	7.3%	9.8%	13.4%	10.3%	2.9%	2.5%	2.1%	NM

P&C Industry	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial Loss Pick	61.7%	61.7%	63.7%	63.1%	64.5%	66.5%	67.4%	62.8%	62.8%	65.5%
Current Loss Pick	64.5%	68.7%	70.8%	73.0%	72.6%	72.6%	66.4%	63.4%	62.7%	NM
Change vs Initial	2.9%	7.0%	7.0%	9.8%	8.1%	6.1%	(1.0%)	0.6%	(0.1%)	NM

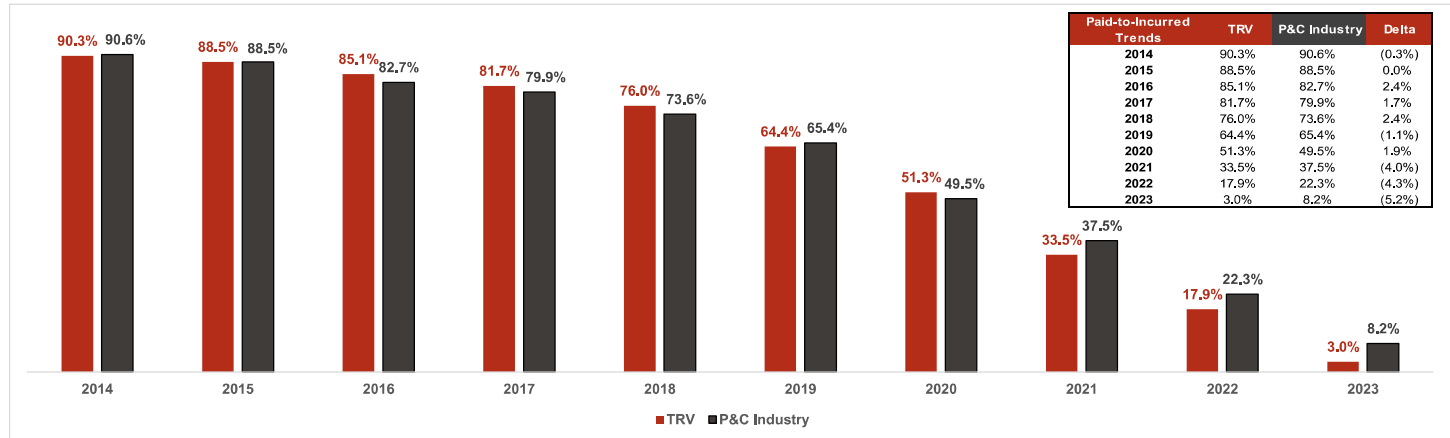


Source: SNL and Wells Fargo Securities, LLC

Other Liability Occurrence—Paid to Incurred Trends

TRV's paid-to-incurred trends within other liability occurrence screen better than the industry for recent AYs. Although still relatively early, TRV's paid-to-incurred trends for the more recent accident years screen favorable vs the industry's for the other liability—occurrence line as 2020 (51.3% vs 49.5%) is the only year modestly above the industry, while the rest are below as 2021 is at a 33.5% (vs 37.5%), 2022 is at 17.9% (vs 22.3%) and 2023 is at 3.0% (vs 8.2% for the industry).

Exhibit 2 - TRV's Paid-to-Incurred Trends in Other Liability Occurrence vs the Rest of P&C Industry



Source: SNL and Wells Fargo Securities, LLC

Looking at current vs initial picks for the rest of the lines. Below, we show the initial loss picks for the larger statutory lines for TRV and compare them to current picks and show the change they have seen by accident year, with TRV showing the largest increases in Other Liability Occurrence and Commercial Auto, while seeing the biggest releases in Workers' Compensation.

Exhibit 3 - Initial Loss Picks and Change vs Current Trends

Initial Loss Ratio Picks by Year											2023 vs 5-Yr Avg	Accident Years		2023 Industry Avg
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		2016-2019	5-Yr Avg	
Long-Tail														
Homeowners and Farmowners	47.0%	44.7%	47.7%	69.5%	72.3%	60.1%	68.3%	68.3%	72.7%	75.6%	19.8%	(1.7%)	6.6%	77.3%
Commercial Multiple Peril	54.0%	50.1%	52.6%	55.8%	59.0%	57.6%	59.6%	59.5%	61.0%	59.4%	12.7%	(6.2%)	9.1%	65.7%
Private Passenger Auto Liability	62.5%	64.0%	72.1%	73.3%	66.8%	65.1%	54.9%	64.6%	74.4%	76.1%	11.4%	(2.2%)	9.1%	78.3%
Workers' Compensation	72.3%	71.8%	72.8%	72.4%	72.6%	72.0%	77.8%	74.8%	68.7%	69.9%	9.9%	5.9%	(2.8%)	72.6%
Other Liability (Occurrence)	54.0%	52.9%	54.6%	54.9%	58.1%	62.5%	60.7%	58.3%	57.4%	63.4%	8.6%	(2.2%)	2.9%	60.4%
Commercial Auto	61.8%	61.3%	62.9%	65.2%	69.9%	70.5%	67.2%	62.5%	66.3%	71.0%	7.1%	(3.1%)	3.5%	67.5%
Other Liability (Claims Made)	55.9%	54.3%	53.7%	55.3%	53.1%	54.6%	64.8%	58.8%	52.5%	54.7%	5.0%	(4.7%)	(2.4%)	57.1%
Special Liability	39.8%	40.8%	40.8%	47.8%	46.2%	42.3%	44.8%	45.4%	42.8%	39.3%	2.2%	(7.1%)	(3.7%)	42.9%
Short-Tail														
Auto Physical Damage			NM	NM	NM	NM	NM	NM	77.0%	72.9%	10.0%	(3.6%)	NM	NM
Special Property			NM	NM	NM	NM	NM	NM	54.0%	40.4%	8.6%	(17.4%)	NM	NM
Fidelity and Surety			NM	NM	NM	NM	NM	NM	22.3%	30.3%	3.6%	0.8%	NM	NM
										Total	98.9%			

Change in Loss Picks vs Initial											2020 - 2022 Average		Industry 2020 - 2022 Average	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average	2016 - 2019 Average	2020 - 2022 Average	Industry 2020 - 2022 Average	
Long-Tail														
Homeowners and Farmowners	(2.2%)	0.1%	(1.5%)	(5.3%)	(7.7%)	0.8%	(3.2%)	(0.4%)	(1.5%)	(2.3%)	(3.4%)	(1.7%)	0.6%	
Commercial Multiple Peril	(1.0%)	(0.1%)	(2.9%)	3.1%	4.6%	2.8%	(1.0%)	(2.0%)	1.0%	0.5%	1.9%	(0.6%)	(0.2%)	
Private Passenger Auto Liability	(62.5%)	(64.0%)	(1.0%)	(3.5%)	(1.3%)	(0.1%)	(2.1%)	1.9%	1.4%	(14.6%)	(1.5%)	0.4%	0.5%	
Workers' Compensation	(9.4%)	(15.1%)	(16.0%)	(13.9%)	(11.0%)	(4.6%)	(9.0%)	(2.1%)	(0.2%)	(9.0%)	(11.4%)	(3.8%)	(2.6%)	
Other Liability (Occurrence)	(1.0%)	8.2%	7.3%	9.8%	13.4%	10.3%	2.9%	2.5%	2.1%	6.2%	10.2%	2.5%	(0.1%)	
Commercial Auto	3.6%	10.4%	12.4%	11.9%	9.8%	13.9%	(6.8%)	3.9%	4.9%	7.1%	12.0%	1.8%	1.8%	
Other Liability (Claims Made)	(8.0%)	(11.4%)	(0.7%)	1.1%	7.5%	7.4%	(4.9%)	(8.4%)	(2.3%)	(2.2%)	3.8%	(5.2%)	(2.5%)	
Special Liability	3.1%	0.3%	(2.7%)	1.0%	0.7%	(1.5%)	(2.0%)	1.4%	(0.8%)	(0.1%)	(0.6%)	(1.7%)	(1.7%)	

Source: SNL and Wells Fargo Securities, LLC

Exhibit 4 - TRV Current Loss Picks by Line vs the 5-Year Average and the P&C Industry

Current Loss Ratio Picks by Year		2016	2017	2018	2019	2020	2021	2022	2023	% of 2023 Earned Prem.	2023 vs Industry Avg	2023 vs 5-Yr Avg	Accident Years 2016-2019 5-Yr Avg	2023 Industry Avg
Long-Tail														
Homeowners and Farmowners		46.2%	64.1%	64.6%	61.0%	65.1%	67.8%	71.1%	75.6%	19.8%	(1.7%)	7.5%	59.0%	77.3%
Commercial Multiple Peril		49.7%	58.9%	63.6%	60.4%	58.7%	57.6%	62.1%	59.4%	12.7%	(6.2%)	(0.2%)	58.1%	65.7%
Private Passenger Auto Liability		71.1%	69.8%	65.4%	65.0%	52.7%	66.6%	75.8%	76.1%	11.4%	(2.2%)	8.9%	67.8%	78.3%
Workers' Compensation		56.8%	58.5%	61.6%	67.4%	68.8%	72.7%	68.5%	69.9%	9.9%	5.9%	0.4%	61.1%	64.0%
Other Liability (Occurrence)		61.9%	64.7%	71.5%	72.8%	63.6%	60.8%	59.5%	63.4%	8.6%	(2.2%)	(0.6%)	67.7%	65.6%
Commercial Auto		75.3%	77.1%	79.7%	84.3%	60.4%	66.3%	71.2%	71.0%	7.1%	(3.1%)	0.4%	79.1%	74.2%
Other Liability (Claims Made)		52.9%	56.4%	60.6%	62.0%	59.9%	50.3%	50.2%	54.7%	5.0%	(4.7%)	(0.8%)	58.0%	59.4%
Special Liability		38.0%	48.8%	46.9%	40.9%	42.8%	46.8%	42.0%	39.3%	2.2%	(7.1%)	(3.1%)	43.6%	46.3%
Short-Tail														
Auto Physical Damage		NM	NM	NM	NM	NM	NM	77.0%	72.9%	10.0%	(3.6%)	NM	NM	76.5%
Special Property		NM	NM	NM	NM	NM	NM	54.0%	40.4%	8.6%	(17.4%)	NM	NM	57.8%
Fidelity and Surety		NM	NM	NM	NM	NM	NM	22.3%	30.3%	3.6%	0.8%	NM	NM	29.4%
									Total	98.9%				

Source: SNL and Wells Fargo Securities, LLC

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Reserve Movement—2023

In [Exhibit 5](#) below, we show the statutory reserve movement that Travelers saw in 2023 by lines and by accident year. The company releases \$904 million of releases in workers' compensation, across all accident years. Other liability occurrence was strengthened by \$883 million and commercial auto was strengthened by \$179 million. Travelers saw net releases of \$235 million across all lines and accident years.

Exhibit 5 - Travelers Statutory Reserve Triangles

PYD (\$ in millions) - Build / (Release)	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total	Accident Years 2016-2019 2020-2022	Prior 2014 PYD	Triangle PYD
Long-Tail (10-yr triangles)													
Other Liability (Occurrence)	(2)	28	2	55	71	149	118	51	59	530	277	352.8	883.2
Commercial Auto	2	7	7	13	12	47	(60)	37	115	180	79	(0.7)	179.1
Private Passenger Auto Liability	0	1	(0)	(3)	1	4	(11)	(10)	52	34	3	(4.9)	29.4
Reinsurance: Non-proportional Assumed Property	0	(0)	(0)	1	(0)	10	1	0	2	14	10	(2.9)	10.8
Commercial Multiple Peril	2	(8)	(2)	(12)	10	(0)	(17)	0	41	13	(4)	49.4	62.2
Special Liability	0	(1)	6	1	2	(1)	3	7	(5)	12	8	(0.1)	12.3
Reinsurance: Non-proportional Assumed Liability	0	0	0	(5)	(5)	0	(0)	0	14	4	(10)	(4.7)	(0.9)
Medical Professional Liability (Occurrence)	0	0	0	0	0	0	0	0	0	0	0	(0.0)	0.0
Medical Professional Liability (Claims Made)	0	0	0	0	0	0	0	0	0	0	0	(16.3)	(16.3)
International	0	0	0	0	0	0	0	0	0	0	0	(0.0)	(0.0)
Reinsurance: Non-proportional Assumed Financial	0	0	0	(1)	(1)	(1)	(1)	(0)	(1)	(6)	(4)	0.0	(6.1)
Product Liability (Claims)	(0)	(0)	0	(0)	(2)	(2)	(1)	(1)	(1)	(7)	(4)	17.7	11.1
Product Liability (Occurrence)	0	(1)	(6)	(8)	(11)	(7)	(5)	(7)	(7)	(52)	(32)	97.4	45.8
Other Liability (Claims Made)	2	(6)	(0)	12	3	(7)	(47)	(61)	(38)	(144)	8	(7.8)	(152.0)
Homeowners and Farmowners	1	(0)	1	(14)	(19)	(8)	(39)	(46)	(92)	(216)	(40)	0.5	(215.3)
Workers' Compensation	(45)	(58)	(84)	(101)	(100)	(112)	(167)	(46)	(7)	(719)	(396)	(185.1)	(903.9)
Total Long-Tail PYD	(41)	(39)	(77)	(62)	(39)	71	(225)	(76)	131	(356)	(106)	295.3	(60.4)
Short-Tail (2-yr triangles)													
Special Property	NM	NM	NM	NM	NM	NM	NM	NM	95	95	NM	(125.2)	(30.7)
Other	NM	NM	NM	NM	NM	NM	NM	NM	0	0	NM	0.1	0.1
Auto Physical Damage	NM	NM	NM	NM	NM	NM	NM	NM	(27)	(27)	NM	(23.1)	(49.8)
Fidelity and Surety	NM	NM	NM	NM	NM	NM	NM	NM	(50)	(50)	NM	(43.6)	(94.0)
Total Short Tail PYD	0	0	0	0	0	0	0	0	17	17	NM	(191.7)	(174.3)
Total Reserve Triangles PYD	(41)	(39)	(77)	(62)	(39)	71	(225)	(76)	149	(338)	(106)	103.6	(234.7)
PYD Away From Triangles										104			
Total PYD										(235)			

Source: SNL and Wells Fargo Securities, LLC

Appendix - Other Liability Occurrence Loss Ratios

Exhibit 6 - P&C Industry Other Liability—Occurrence Loss Picks

Loss Pick	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	61.7%	61.1%	62.9%	62.0%	62.9%	64.4%	64.2%	64.3%	64.4%	64.5%
2015	61.7%	63.7%	63.1%	64.4%	66.9%	68.2%	68.3%	68.4%	68.7%	
2016	63.7%	64.0%	65.1%	66.7%	68.4%	68.5%	69.6%	70.8%		
2017	63.1%	64.9%	66.9%	67.8%	68.4%	70.4%	73.0%			
2018	64.5%	65.6%	67.1%	67.8%	70.0%	72.6%				
2019	66.5%	67.1%	68.3%	70.2%	72.6%					
2020	67.4%	66.3%	65.8%	66.4%						
2021	62.8%	62.6%	63.4%							
2022	62.8%	62.7%								
2023	65.5%									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	61.7%	61.7%	63.7%	63.1%	64.5%	66.5%	67.4%	62.8%	62.8%	65.5%
Current	64.5%	68.7%	70.8%	73.0%	72.6%	72.6%	66.4%	63.4%	62.7%	
Change	2.9%	7.0%	7.0%	9.8%	8.1%	6.1%	(1.0%)	0.6%	(0.1%)	

Source: SNL and Wells Fargo Securities, LLC

Exhibit 7 - AIG Other Liability—Occurrence Loss Picks

Loss Pick	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	73.4%	75.1%	86.3%	83.4%	83.8%	87.1%	88.8%	88.9%	88.8%	88.0%
2015	75.9%	104.3%	93.9%	97.5%	103.3%	112.1%	110.2%	108.6%	108.0%	
2016	82.1%	92.5%	92.5%	97.4%	97.4%	93.8%	93.2%	93.3%		
2017	81.7%	85.0%	94.0%	99.5%	96.6%	99.2%	98.3%			
2018	79.4%	79.1%	81.8%	84.6%	90.6%	90.9%				
2019	82.8%	84.0%	85.8%	88.1%	88.3%					
2020	86.6%	86.7%	83.7%	83.7%						
2021	80.5%	78.1%	77.8%							
2022	65.6%	66.9%								
2023	66.7%									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	73.4%	75.9%	82.1%	81.7%	79.4%	82.8%	86.6%	80.5%	65.6%	66.7%
Current	88.0%	108.0%	93.3%	98.3%	90.9%	88.3%	83.7%	77.8%	66.9%	
Change	14.7%	32.1%	11.2%	16.6%	11.5%	5.5%	(2.8%)	(2.8%)	1.3%	

Source: SNL and Wells Fargo Securities, LLC

Exhibit 8 - CB Other Liability—Occurrence Loss Picks

Loss Pick	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	71.0%	71.8%	74.7%	72.1%	72.2%	71.7%	69.5%	68.3%	67.3%	66.4%
2015	69.7%	72.5%	72.2%	71.9%	72.9%	74.1%	74.0%	68.8%	69.3%	
2016	71.1%	72.0%	73.2%	73.1%	74.6%	74.5%	74.0%	71.8%		
2017	74.1%	73.6%	74.4%	74.3%	73.3%	71.9%	74.3%			
2018	75.5%	75.5%	78.5%	80.6%	80.3%	79.5%				
2019	74.0%	77.1%	81.8%	86.0%	86.4%					
2020	77.2%	77.7%	80.1%	81.4%						
2021	72.1%	73.3%	77.6%							
2022	71.5%	74.2%								
2023	74.2%									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	71.0%	69.7%	71.1%	74.1%	75.5%	74.0%	77.2%	72.1%	71.5%	74.2%
Current	66.4%	69.3%	71.8%	74.3%	79.5%	86.4%	81.4%	77.6%	74.2%	
Change	(4.6%)	(0.3%)	0.7%	0.3%	4.0%	12.4%	4.3%	5.5%	2.7%	

Source: SNL and Wells Fargo Securities, LLC

Exhibit 9 - HIG Other Liability—Occurrence Loss Picks

Loss Pick	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	51.3%	46.8%	46.7%	49.1%	53.4%	55.9%	55.3%	56.4%	57.2%	56.6%
2015	51.7%	50.2%	49.5%	54.0%	60.7%	62.5%	64.0%	65.7%	63.9%	
2016	52.3%	50.1%	52.9%	58.1%	59.9%	60.7%	62.4%	66.3%		
2017	50.7%	48.3%	51.3%	53.0%	55.6%	55.3%	60.2%			
2018	51.7%	52.4%	58.0%	59.9%	65.1%	67.3%				
2019	54.4%	56.7%	58.6%	61.7%	66.6%					
2020	56.2%	57.2%	57.6%	57.0%						
2021	53.6%	54.3%	54.6%							
2022	53.1%	54.9%								
2023	54.3%									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	51.3%	51.7%	52.3%	50.7%	51.7%	54.4%	56.2%	53.6%	53.1%	54.3%
Current	56.6%	63.9%	66.3%	60.2%	67.3%	66.6%	57.0%	54.6%	54.9%	
Change	5.3%	12.1%	14.0%	9.5%	15.6%	12.2%	0.8%	1.0%	1.8%	

Source: SNL and Wells Fargo Securities, LLC

Exhibit 10 - WRB Other Liability—Occurrence Loss Picks

Loss Pick	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	55.8%	54.8%	53.7%	53.8%	55.2%	55.4%	55.4%	55.1%	54.6%	54.6%
2015	56.0%	55.6%	53.2%	54.9%	56.6%	57.0%	58.0%	59.6%	60.4%	
2016	55.1%	53.9%	54.3%	56.7%	58.4%	59.8%	61.2%	64.8%		
2017	55.7%	56.0%	58.9%	61.6%	64.0%	67.4%	69.7%			
2018	54.8%	55.3%	55.8%	58.9%	62.7%	67.4%				
2019	57.2%	55.4%	56.9%	60.1%	64.2%					
2020	57.7%	51.6%	49.6%	50.0%						
2021	55.8%	50.2%	48.9%							
2022	55.4%	55.7%								
2023	57.2%									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	55.8%	56.0%	55.1%	55.7%	54.8%	57.2%	57.7%	55.8%	55.4%	57.2%
Current	54.6%	60.4%	64.8%	69.7%	67.4%	64.2%	50.0%	48.9%	55.7%	
Change	(1.2%)	4.4%	9.7%	14.0%	12.6%	7.0%	(7.8%)	(6.9%)	0.3%	

Source: SNL and Wells Fargo Securities, LLC

Appendix - Other Liability Occurrence Paid To Ultimate Ratios

Exhibit 11 - P&C Industry Other Liability—Occurrence Paid-to-Incurred Trends

Paid to Incurred	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	9.2%	22.9%	38.3%	58.0%	70.4%	78.1%	83.4%	86.1%	88.9%	90.6%
2015	8.8%	22.8%	41.8%	59.3%	71.1%	77.6%	82.0%	85.7%	88.5%	
2016	8.4%	22.6%	39.1%	55.3%	65.0%	72.3%	79.0%	82.7%		
2017	8.3%	22.8%	37.9%	53.1%	64.0%	73.5%	79.9%			
2018	8.5%	23.8%	38.3%	51.4%	64.1%	73.6%				
2019	9.6%	23.2%	36.6%	53.0%	65.4%					
2020	8.5%	20.2%	35.0%	49.5%						
2021	7.7%	22.2%	37.5%							
2022	8.2%	22.3%								
2023	8.2%									
Average	8.5%	22.5%	38.1%	54.2%	66.7%	75.0%	81.1%	84.8%	88.7%	90.6%

Source: SNL and Wells Fargo Securities, LLC

Exhibit 12 - AIG Other Liability—Occurrence Paid-to-Incurred Trends

Other Liability (Occurrence)										
Paid to Incurred	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	7.6%	21.1%	30.2%	70.5%	82.3%	90.1%	94.9%	95.6%	97.5%	98.1%
2015	7.2%	21.0%	61.6%	77.7%	86.7%	89.3%	92.5%	95.0%	96.2%	
2016	5.1%	22.1%	32.0%	45.8%	56.7%	63.4%	74.1%	79.2%		
2017	1.6%	7.1%	15.2%	35.5%	46.1%	58.1%	70.6%			
2018	2.2%	15.8%	25.0%	28.4%	38.8%	51.7%				
2019	8.8%	22.8%	28.4%	40.0%	51.2%					
2020	11.7%	23.2%	36.3%	44.4%						
2021	8.8%	33.3%	42.2%							
2022	8.3%	19.8%								
2023	7.5%									
Average	6.9%	20.7%	33.9%	48.9%	60.3%	70.5%	83.0%	89.9%	96.9%	98.1%

Source: SNL and Wells Fargo Securities, LLC

Exhibit 13 - CB Other Liability—Occurrence Paid-to-Incurred Trends

Other Liability (Occurrence)										
Paid to Incurred	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	3.8%	15.4%	31.5%	51.3%	61.3%	70.4%	75.5%	80.3%	84.3%	87.2%
2015	4.0%	15.4%	29.9%	48.8%	61.2%	67.9%	71.4%	81.3%	83.3%	
2016	4.7%	18.9%	34.6%	52.7%	60.1%	65.9%	73.3%	79.5%		
2017	5.7%	18.5%	33.2%	46.2%	54.4%	65.8%	72.1%			
2018	6.4%	22.1%	34.1%	43.5%	57.1%	69.4%				
2019	7.4%	20.0%	30.3%	43.7%	56.3%					
2020	5.2%	17.2%	29.4%	44.5%						
2021	4.4%	17.8%	34.4%							
2022	4.9%	18.7%								
2023	4.6%									
Average	5.1%	18.2%	32.2%	47.2%	58.4%	67.9%	73.1%	80.4%	83.8%	87.2%

Source: SNL and Wells Fargo Securities, LLC

Exhibit 14 - HIG Other Liability—Occurrence Paid-to-Incurred Trends

Other Liability (Occurrence)										
Paid to Incurred	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	2.2%	10.0%	30.6%	47.4%	62.6%	69.8%	79.5%	81.2%	82.7%	87.5%
2015	2.2%	12.6%	32.8%	51.8%	66.3%	74.3%	79.6%	81.3%	87.6%	
2016	2.5%	11.4%	25.4%	47.6%	58.8%	69.3%	77.4%	80.7%		
2017	3.3%	12.4%	26.7%	43.6%	54.2%	70.8%	75.7%			
2018	2.2%	12.0%	25.7%	40.9%	55.0%	67.7%				
2019	2.8%	12.0%	24.9%	43.8%	59.6%					
2020	2.5%	9.4%	20.1%	35.3%						
2021	2.1%	10.5%	20.9%							
2022	1.6%	12.2%								
2023	1.5%									
Average	2.3%	11.4%	25.9%	44.3%	59.4%	70.4%	78.0%	81.1%	85.1%	87.5%

Source: SNL and Wells Fargo Securities, LLC

Figure 1 - WRB Other Liability—Occurrence Paid-to-Incurred Trends

Other Liability (Occurrence)										
Paid to Incurred	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2014	5.0%	17.3%	36.0%	52.5%	65.5%	75.9%	81.7%	85.9%	89.5%	91.9%
2015	5.4%	16.7%	34.7%	52.4%	67.0%	76.0%	81.6%	84.8%	90.2%	
2016	3.9%	16.5%	34.4%	50.3%	62.8%	70.0%	78.2%	83.4%		
2017	4.8%	21.1%	38.8%	55.1%	65.0%	75.0%	82.5%			
2018	5.2%	19.5%	37.0%	52.2%	65.0%	75.9%				
2019	5.0%	19.3%	35.0%	53.9%	65.9%					
2020	2.9%	16.0%	33.8%	51.7%						
2021	2.7%	16.7%	35.2%							
2022	3.3%	18.1%								
2023	2.3%									
Average	4.1%	17.9%	35.6%	52.6%	65.2%	74.5%	81.0%	84.7%	89.9%	91.9%

Source: SNL and Wells Fargo Securities, LLC

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Investment Thesis, Valuation and Risks

The Travelers Companies, Inc. (TRV)

Investment Thesis

We believe that TRV will continue to benefit from the good pricing environment within commercial lines and improving margins within personal auto. With that being said, we think there are questions on their reserves following the increases for liability lines in H1 and as a result, we think the shares could underperform the broader group until they show a lack of movement on the reserve side. We rate the shares Equal Weight

Target Price Valuation for TRV: \$206.00 from NC

- Our price target of \$206 is based on just over 10.0x our 2025 EPS estimate.
- Implies around a ~1.6x multiple of our projected 2025 book value estimate of ~\$129.

Risks to Our Price Target and Rating for TRV

Risks to the downside include large catastrophe losses, adverse reserve development, increased competition, a deterioration in loss costs, while risks to the upside include stronger premium growth, reported / underlying margins coming in better than expected, and higher-than-expected favorable PYD.

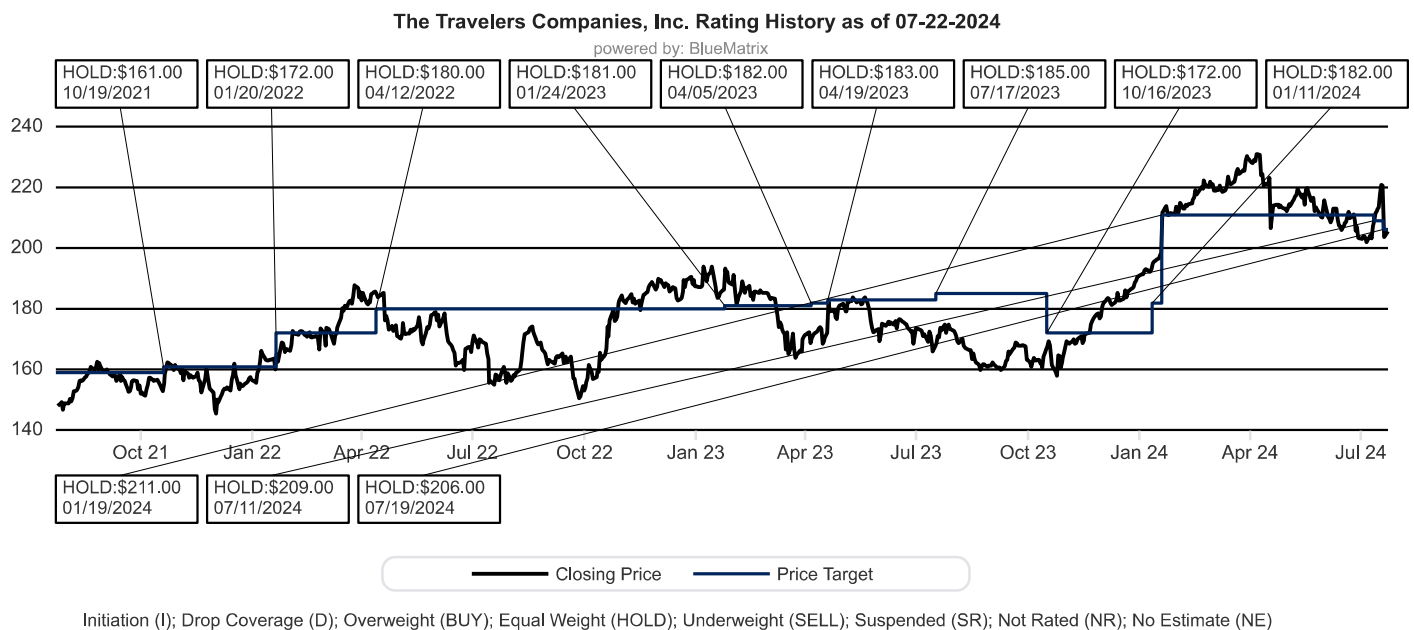
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