

surance and asset management services. Following the April 1, 2004 acquisition of Travelers, the company is now a leading underwriter of homeowners insurance and automobile insurance through independent agents. Has approximately 30,800 employees.

Street Corporation, 7.1% (4/18 Proxy). Chief Executive Officer: Alan D. Schnitzer. Chairman: John H. Dasburg. Incorporated: Minnesota. Address: 485 Lexington Ave, New York, NY 10017. Telephone: 917-778-6000. Internet: www.travelers.com

Past **ANNUAL RATES** Past Est'd '15-'17 5 Yrs. 10.0% 2.5% 12.5% of change (per sh) Premium Inc 10 Yrs. to '21-'23 11 0% 5.0% 6.0% 5.5% 5.0% 6.0% Invest Income Earnings Dividends Book Value 10.0% 10.0% 3.5% 7.0% 8.5% 6.0%

12329 47949 16746

77024

Unearned Prems

Total Liabilities

Reserves

12915

49650

17187

79752

13979

50430

1752

81930

Cal- endar	Mar.31	Jun.30			Full Year
2015	5888	5931	6032	6023	23874
2016	5981	6067	6209	6277	24534
2017	6183	6351	6523	6626	25683
2018	6537	6695	6882	7006	27120
2019	6875	7000	7125	7240	28240
Cal-	Cal- EARNINGS PER SHARE B				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	2.52	2.52	2.93	2.90	10.87
2016	2.33	2.20	2.40	3.20	10.13
2017	2.16	1.92	.91	2.28	7.27
2018	2.46	1.81	2.54	3.34	10.15
2019	2.73	2.88	2.70	3.04	11.35
Cal-	Cal- QUARTERLY DIVIDENDS PAID C■				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2014	.50	.55	.55	.55	2.15
2015	.55	.61	.61	.61	2.38
2016	.67	.67	.67	.67	2.68
2017	.67	.72	.72	.72	2.83
2018	.72	.77	.77		

Travelers had a pretty good third quarter. Looking at it the insurance with more behemoth reported earnings from operations, which exclude capital gains and losses from investments, of \$2.54, which compares favorable to our \$2.30 estimate and much higher than the previous year figure of \$0.91. Investors should note that last year's tally was constrained by an elevated level of catastrophes. The third quarter wasn't earth-shattering for Travelers, which is good news, as two major hurricanes (Florence and Michael) ravaged the U.S. in recent weeks. The company booked a combined ratio of 96.6%, which is quite impressive, given the elevated level catastrophes across much of the sector.

We forecast a solid share-earnings improvement for both the December quarter and in 2019. It appears that net investment income will continue to be the primary earnings driver over the next 18 months. Bond yields have received a shot in the arm in the recent quarter, thanks to several interest-rate increases by the Federal Reserve. We look for this trend to continue, as the central bank appears likely to

continue with the current game plan into the foreseeable future. We also look for Travelers to register a profitable combined ratio over the next few quarters, barring an overage of catastrophes.

A good balance sheet gives Travelers financial flexibility for the long pull. What's more, the company appears adequately reserved, which should provide a level of support to the income statement. Indeed, if a company doesn't have adequate reserves on the ledger it will have to add to its coffers, which results in a reserve-strengthening charge that cuts into profits.

These shares offer compelling total return potential, particularly when adjusted for risk, over the pull to 2021-2023. We look for an expansion of the price-to-earnings and price-to-book multiples over the 3 to 5 years ahead. Management's strong underwriting philosophy gives it a leg up on the competition, and should result in a premium long-term valuation relative to its insurance peers. A good dividend helps to sweeten the pot and might entice those seeking current income. Alan G. House December 7, 2018

(A) P/C only. (B) Dil. egs. Excl. cap gains and late; '15, 3¢; '16, 15¢; '17, 6¢. Excl. losses | June, Sept., Dec. Excl. spec. div'ds of 21¢/sh. losses after '02. Excl. nonrec. (charges)/gains | from disc. ops.: '02, 12¢; '03, 7¢; '04, 62¢. | paid 3/04 and 4/04. ■ Div'd reinv. plan avail. | in '02, (18¢); '06, 3¢; '07, 14¢; '08, (42¢); '09, | Excl. extra. losses: '02, 3¢; '03, 9¢. Next egs. | (D) Intang. '17: \$4,293 mill., \$15.41/sh. (E) In 1/2; '12, 9¢; '13, 28¢; '14, | rpt. late Jan. (C) Div'ds. paid in late March, | mill. (F) St. Paul only until '04.

Company's Financial Strength Stock's Price Stability A++ 100 Price Growth Persistence **Earnings Predictability** 55