

Ten Year Summary — Financial Highlights

(unaudited — not covered by report of independent accountants)

(millions—except ratios, per share amounts
and number of people employed)

	2002	2001	2000	1999	1998
Insurance Companies Selected Financial Information and Operating Statistics—Statutory Basis					
Policyholders' surplus ¹	\$ 3,370.2	\$ 2,647.7	\$ 2,177.0	\$ 2,258.9	\$ 2,029.9
Ratios:					
Net premiums written to policyholders' surplus	2.8	2.7	2.8	2.7	2.6
Loss and loss adjustment expense reserves to policyholders' surplus	1.1	1.2	1.3	1.0	1.0
Loss and loss adjustment expense	70.9	73.6	83.2	75.0	68.5
Underwriting expense	20.4	21.1	21.0	22.1	22.4
Statutory combined ratio	91.3	94.7	104.2	97.1	90.9
Selected Consolidated Financial Information—GAAP Basis					
Total revenues	\$ 9,294.4	\$ 7,488.2	\$ 6,771.0	\$ 6,124.2	\$ 5,292.4
Total assets	13,564.4	11,122.4	10,051.6	9,704.7	8,463.1
Total shareholders' equity ²	3,768.0	3,250.7	2,869.8	2,752.8	2,557.1
Common Shares outstanding	218.0	220.3	220.6	219.3	217.6
Common Share price					
High	\$ 60.49	\$ 50.60	\$ 37.00	\$ 58.08	\$ 57.33
Low	44.75	27.38	15.00	22.83	31.33
Close ³	49.63	49.77	34.54	24.38	56.46
Market capitalization	\$ 10,819.3	\$ 10,958.6	\$ 7,616.8	\$ 5,345.4	\$ 12,279.7
Book value per Common Share ²	\$ 17.28	\$ 14.76	\$ 13.01	\$ 12.55	\$ 11.75
Return on average common shareholders' equity ⁴	19.3%	13.5%	1.7%	10.9%	19.3%
Debt outstanding	\$ 1,489.0	\$ 1,095.7	\$ 748.8	\$ 1,048.6	\$ 776.6
Ratios:					
Debt to total capital	28%	25%	21%	28%	23%
Earnings to fixed charges ⁵	13.2x	10.7x	1.3x	5.7x	10.2x
Price to earnings ⁶	15	23	138	20	28
Price to book	2.9	3.4	2.7	1.9	4.8
Net premiums written growth	30%	17%	1%	16%	14%
GAAP underwriting margin ²	7.6%	4.8%	(4.4)%	1.7%	8.4%
Number of people employed	22,974	20,442	19,490	18,753	15,735

All share and per share amounts were adjusted for the April 22, 2002, 3-for-1 stock split.

¹During 1994, the Company began accruing salvage and subrogation recoverables.²In 1994, the \$71.0 million "supplemental reserve" was eliminated, increasing book value per share \$.21, underwriting profit margin 3.2% and shareholders' equity \$46.1 million.³Represents the closing price at December 31.⁴Net income minus preferred share dividends ÷ average common shareholders' equity.⁵1995 and prior represents the ratio of earnings to combined fixed charges and preferred share dividends.⁶Represents the closing stock price ÷ operating earnings per share (a non-GAAP measure).

(millions—except ratios, per share amounts
and number of people employed)

	1997	1996	1995	1994	1993
Insurance Companies Selected Financial Information and Operating Statistics—Statutory Basis					
Policyholders' surplus ¹	\$ 1,722.9	\$ 1,292.4	\$ 1,055.1	\$ 945.1	\$ 701.9
Ratios:					
Net premiums written to policyholders' surplus	2.7	2.7	2.8	2.6	2.6
Loss and loss adjustment expense reserves to policyholders' surplus	1.1	1.2	1.2	1.2	1.5
Loss and loss adjustment expense	71.1	70.2	71.6	64.2	62.6
Underwriting expense	20.7	19.8	21.4	22.4	25.4
Statutory combined ratio	91.8	90.0	93.0	86.6	88.0
Selected Consolidated Financial Information—GAAP Basis					
Total revenues	\$ 4,608.2	\$ 3,478.4	\$ 3,011.9	\$ 2,415.3	\$ 1,954.8
Total assets	7,559.6	6,183.9	5,352.5	4,675.1	4,011.3
Total shareholders' equity ²	2,135.9	1,676.9	1,475.8	1,151.9	997.9
Common Shares outstanding	216.9	214.5	216.3	213.6	216.3
Common Share price					
High	\$ 40.29	\$ 24.08	\$ 16.50	\$ 13.50	\$ 15.38
Low	20.50	13.46	11.58	9.25	8.88
Close ³	39.96	22.46	16.29	11.67	13.50
Market capitalization	\$ 8,667.0	\$ 4,817.3	\$ 3,523.9	\$ 2,492.0	\$ 2,920.1
Book value per Common Share ²	\$ 9.85	\$ 7.82	\$ 6.44	\$ 4.99	\$ 4.21
Return on average common shareholders' equity ⁴	20.9%	20.5%	19.6%	27.4%	36.0%
Debt outstanding	\$ 775.9	\$ 775.7	\$ 675.9	\$ 675.6	\$ 477.1
Ratios:					
Debt to total capital	27%	32%	31%	37%	32%
Earnings to fixed charges ⁵	9.2x	7.7x	5.6x	6.1x	7.1x
Price to earnings ⁵	27	16	17	13	15
Price to book	4.1	2.9	2.5	2.3	3.2
Net premiums written growth	36%	18%	19%	35%	25%
GAAP underwriting margin ²	6.6%	8.5%	5.7%	11.5%	10.7%
Number of people employed	14,126	9,557	8,025	7,544	6,101

Ten Year Summary—GAAP Consolidated Operating Results

(unaudited — not covered by report of independent accountants)

(millions—except per share amounts)	2002	2001	2000	1999	1998
Direct premiums written:					
Personal Lines	\$ 8,431.1	\$ 6,485.1	\$ 5,773.2	\$ 5,799.4	\$ 4,987.1
Commercial Auto Business	1,004.3	665.7	442.2	321.4	265.2
Other businesses	230.3	228.4	186.7	184.5	199.0
Total direct premiums written	9,665.7	7,379.2	6,402.1	6,305.3	5,451.3
Reinsurance assumed	.1	.1	—	—	—
Reinsurance ceded	(213.8)	(119.2)	(206.0)	(180.6)	(151.6)
Net premiums written	9,452.0	7,260.1	6,196.1	6,124.7	5,299.7
Net change in unearned premiums reserve ¹	(568.5)	(98.3)	152.3	(441.1)	(351.7)
Premiums earned	8,883.5	7,161.8	6,348.4	5,683.6	4,948.0
Expenses:					
Losses and loss adjustment expenses ²	6,299.1	5,264.1	5,279.4	4,256.4	3,376.3
Policy acquisition costs	1,031.6	864.9	788.0	745.0	659.9
Other underwriting expenses	874.2	686.9	559.3	583.8	495.8
Total underwriting expenses	8,204.9	6,815.9	6,626.7	5,585.2	4,532.0
Underwriting profit (loss) before taxes	678.6	345.9	(278.3)	98.4	416.0
Provision (benefit) for income taxes	237.5	121.1	(97.4)	34.4	145.6
Underwriting profit (loss) after taxes	441.1	224.8	(180.9)	64.0	270.4
Service operations profit (loss) after taxes	8.0	3.2	(.6)	4.3	4.8
	449.1	228.0	(181.5)	68.3	275.2
Investment income after taxes	324.4	296.1	278.3	249.6	221.3
Net realized gains (losses) on securities after taxes	(51.1)	(72.7)	11.0	30.7	7.4
Interest expense after taxes	(48.5)	(33.9)	(50.6)	(49.7)	(39.7)
Nonrecurring items after taxes ³	—	—	(4.2)	—	—
Other income after taxes ⁴	—	—	—	3.4	—
Net expenses after taxes ⁵	(6.6)	(6.1)	(6.9)	(7.1)	(7.5)
Net income	\$ 667.3	\$ 411.4	\$ 46.1	\$ 295.2	\$ 456.7
Items to reconcile net income to operating income:					
Net realized (gains) losses on securities after taxes	51.1	72.7	(11.0)	(30.7)	(7.4)
Nonrecurring items after taxes:					
Nonunderwriting ³	—	—	4.2	—	—
Other income ⁴	—	—	—	(3.4)	—
Underwriting ^{2,8}	—	1.4	16.1	5.6	—
Operating income ⁶	\$ 718.4	\$ 485.5	\$ 55.4	\$ 266.7	\$ 449.3
Per share ⁷					
Net income	\$ 2.99	\$ 1.83	\$.21	\$ 1.32	\$ 2.04
Operating income ⁶	3.22	2.16	.25	1.19	2.01
Dividends	.096	.093	.090	.087	.083
Average equivalent shares					
Basic	219.0	221.0	219.6	218.7	217.4
Diluted	223.2	225.2	223.0	223.9	224.1

All share and per share amounts were adjusted for the April 22, 2002, 3-for-1 stock split.

¹Amount represents change in unearned premiums reserve less change in prepaid reinsurance premiums.

²In 1994, the "supplemental reserve" was eliminated, resulting in a one-time decrease to losses and loss adjustment expenses of \$71.0 million, or \$.21 per share.

³2000 reflects a foreign currency translation loss; 1993 reflects a charge on debt extinguishments.

⁴1999 reflects a gain on the sale of the corporate aircraft.

⁵Reflects investment expenses after taxes and other tax adjustments.

⁶Defined as net income excluding net realized gains/losses on securities and nonrecurring items. This is a non-GAAP disclosure.

⁷Presented on a diluted basis. In 1997, the Company adopted SFAS 128, "Earnings Per Share," and, as a result, restated prior periods per share amounts, if applicable.

(millions—except per share amounts)	1997	1996	1995	1994	1993
Direct premiums written:					
Personal Lines	\$ 4,355.9	\$ 3,165.4	\$ 2,644.6	\$ 2,181.7	\$ 1,548.9
Commercial Auto Business	253.5	229.9	210.5	183.7	165.9
Other businesses	215.8	243.1	213.8	279.7	251.6
Total direct premiums written	4,825.2	3,638.4	3,068.9	2,645.1	1,966.4
Reinsurance assumed	—	3.8	.1	2.9	9.2
Reinsurance ceded	(160.1)	(200.5)	(156.2)	(190.8)	(156.4)
Net premiums written	4,665.1	3,441.7	2,912.8	2,457.2	1,819.2
Net change in unearned premiums reserve ¹	(475.6)	(242.4)	(185.6)	(266.1)	(150.5)
Premiums earned	4,189.5	3,199.3	2,727.2	2,191.1	1,668.7
Expenses:					
Losses and loss adjustment expenses ²	2,967.5	2,236.1	1,943.8	1,397.3	1,028.0
Policy acquisition costs	607.8	482.6	459.6	391.5	311.6
Other underwriting expenses	336.0	208.5	167.2	150.8	151.3
Total underwriting expenses	3,911.3	2,927.2	2,570.6	1,939.6	1,490.9
Underwriting profit (loss) before taxes	278.2	272.1	156.6	251.5	177.8
Provision (benefit) for income taxes	97.4	95.2	54.8	88.0	62.2
Underwriting profit (loss) after taxes	180.8	176.9	101.8	163.5	115.6
Service operations profit (loss) after taxes	.9	2.8	5.6	6.5	4.4
	181.7	179.7	107.4	170.0	120.0
Investment income after taxes	205.3	175.6	156.2	131.2	107.1
Net realized gains (losses) on securities after taxes	64.0	4.6	30.4	15.5	70.1
Interest expense after taxes	(42.0)	(40.0)	(37.1)	(35.9)	(25.8)
Nonrecurring items after taxes ³	—	—	—	—	(2.6)
Other income after taxes ⁴	—	—	—	—	—
Net expenses after taxes ⁵	(9.0)	(6.2)	(6.4)	(6.5)	(1.5)
Net income	\$ 400.0	\$ 313.7	\$ 250.5	\$ 274.3	\$ 267.3
Items to reconcile net income to operating income:					
Net realized (gains) losses on securities after taxes	(64.0)	(4.6)	(30.4)	(15.5)	(70.1)
Nonrecurring items after taxes:					
Nonunderwriting ³	—	—	—	—	2.6
Other income ⁴	—	—	—	—	—
Underwriting ^{2,8}	—	—	—	(46.1)	(2.5)
Operating income ⁶	\$ 336.0	\$ 309.1	\$ 220.1	\$ 212.7	\$ 197.3
Per share ⁷					
Net income	\$ 1.77	\$ 1.38	\$ 1.09	\$ 1.20	\$ 1.20
Operating income ⁶	1.49	1.37 ⁹	.95	.92	.87
Dividends	.080	.077	.073	.070	.067
Average equivalent shares					
Basic	216.0	214.8	215.4	214.8	207.9
Diluted	225.9	222.6	222.6	222.0	215.4

⁸Other nonrecurring items consist of the following pretax items:

2001: \$2.1 million of severance and other costs related to the Company's reduction in force in New York.

2000: \$20.0 million accrual related to the estimated cost of terminating a strategic alliance relationship; \$3.2 million additional expense associated with the termination of the Company's defined benefit pension plan; and \$1.7 million of severance costs associated with the Company's reorganization at the general manager level.

1999: \$7.5 million additional expenses associated with previous advertising commitments that will no longer be realized due to changes in marketing strategy; and \$1.2 million reserve for the wind-down of the Company's Canadian operations.

1993: \$.9 million charge from the early adoption of SFAS 112, "Employer's Accounting for Postemployment Benefits;" a \$1.5 million benefit from the curtailment of the defined benefit pension plan; and \$2.1 million benefit from the retroactive tax impact of the Omnibus Budget Reconciliation Act of 1993

⁹Excludes \$.01 per share associated with the excess preferred stock liquidation price over the carrying value at the date of redemption.