Introduction to Travelers

4Q 2020

Long-Term Financial Strategy

Meaningful and sustainable competitive advantages → Generation of top tier earnings and capital substantially in excess of growth needs → Balanced approach to rightsizing capital and growing book value per share over time

CREATE SHAREHOLDER VALUE

Objective: Mid-Teens Core ROE *Over Time*

Enterprise Key Competitive Advantages

Return focused company

Product breadth and specialization

- Largest U.S. commercial insurance writer in 2019[1]
- Only commercial insurer with a top 5 position in seven major product lines[1], including a **#1** position in workers' compensation, and commercial multi peril
- Top 3 writer in personal insurance through independent agents[2], including **#1** in homeowners

Leadership position with distribution

- Leading commercial lines insurer in the UBS Semi-Annual Insurance Agent Survey when agents were asked to identify their commercial lines carriers[3]
- Relationships with more than **13,500** independent agencies and brokers

Industry leading data and analytics

- Approximately **35** predictive claim models leveraging data and analytics to improve claim outcomes for our customers and efficiency for us
- Proprietary risk assessment database with **200M+** data points compiled over more than a decade

Industry leading claim and risk control capabilities

- More than **500** risk control professionals, including a diverse set of engineers and industry specialists
- Our comprehensive catastrophe response provides Travelers with the industry-leading capability to handle CAT losses with our own, experienced employees. In 2020, nearly **92%** of CAT property claims were closed in 30 days

$30b Net Written Premiums | **>6m** Customers Insured | **13.5k** Agency & Broker Relationships

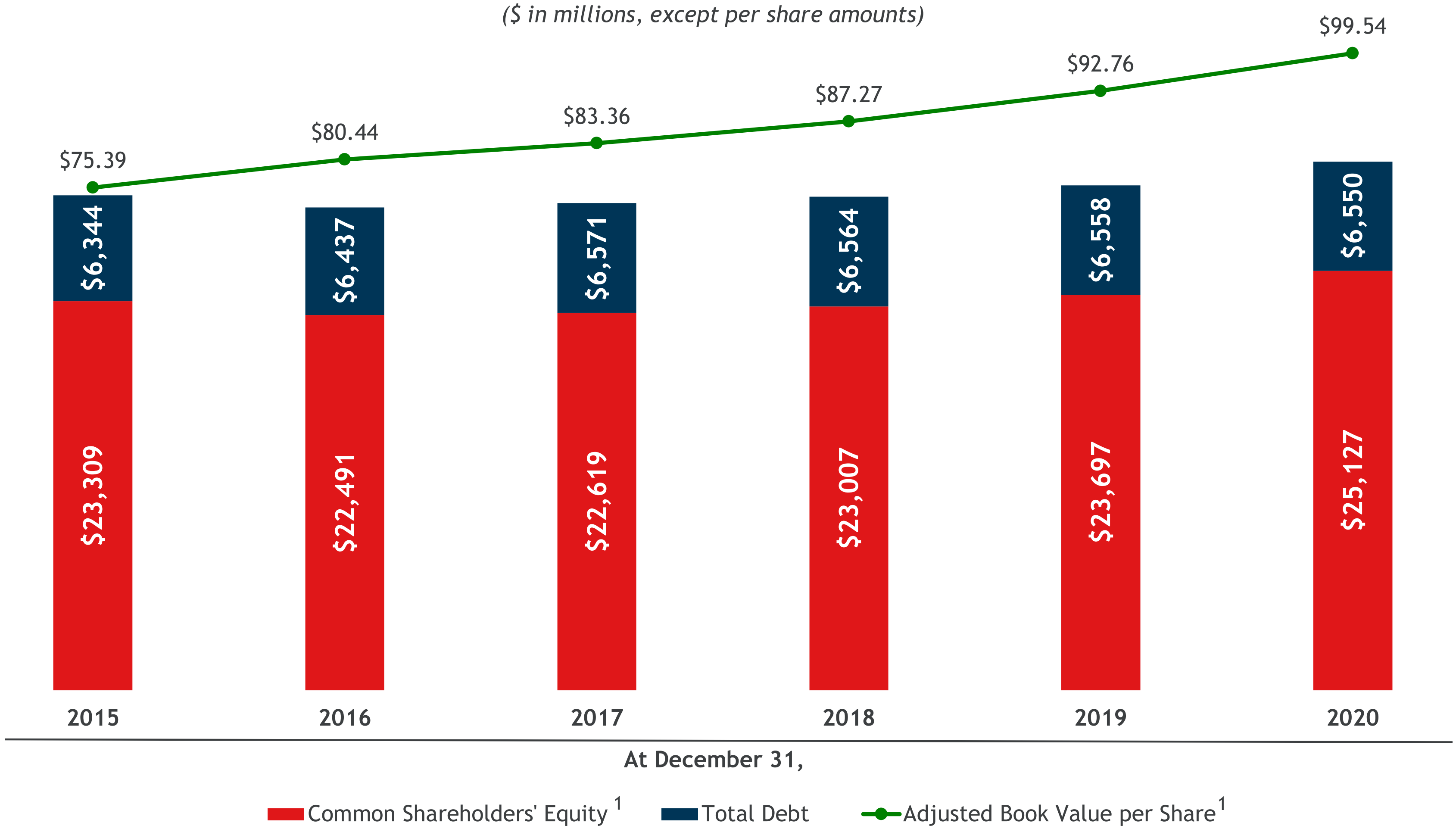
1 S&P Global Market Intelligence. 2019 U.S. Statutory DWP: Commercial Multi-Peril (Commercial Multiple Peril (Liability), Commercial Multiple Peril (Non-Liability), Farmowners Multiple Peril); Commercial Auto (Commercial Auto No-Fault (Personal Injury Protection), Commercial Auto Physical Damage, Other Commercial Auto Liability); General Liability (Other Liability: Occurrence, Product Liability); Property (Allied Lines, Boiler & Machinery, Burglary & Theft, Earthquake, Fire, Inland Marine, Ocean Marine); Management & Professional Liability (Other Claims Made Liability, Burglary & Theft, Fidelity); Workers' Compensation; and Surety.

2 U.S. AM Best Data Statutory DWP, 2019

3 UBS Semi-Annual Insurance Agent Survey November 2020

Strong & Simple Balance Sheet

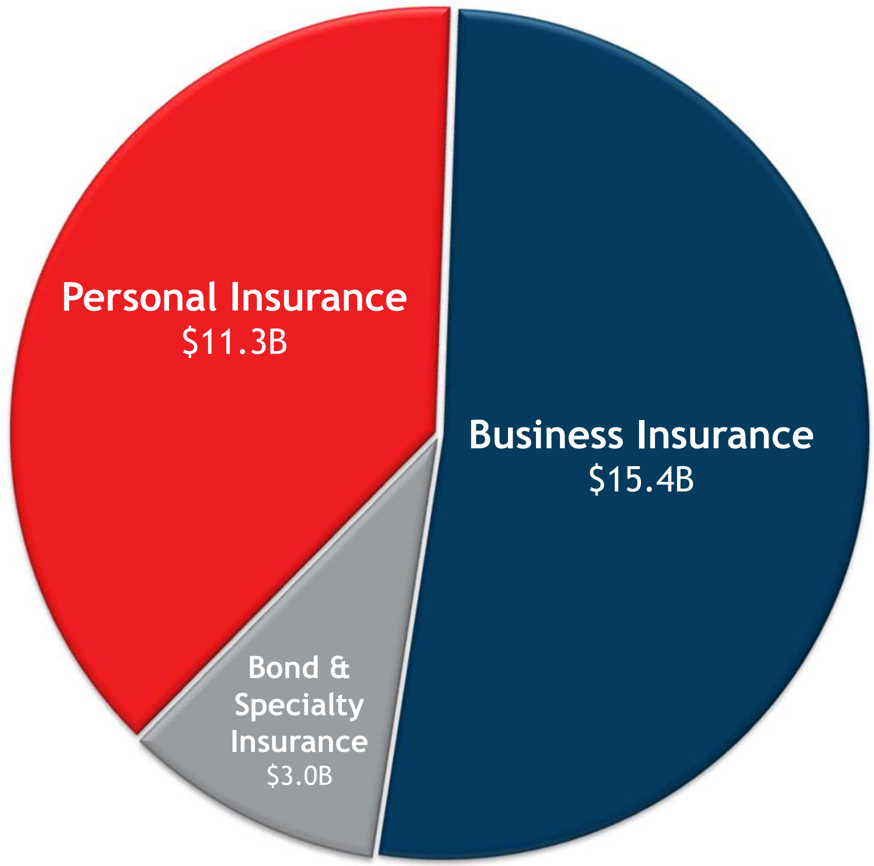
($ in millions, except per share amounts)



[1] Excludes net unrealized investment gains (losses), net of tax, included in shareholders' equity

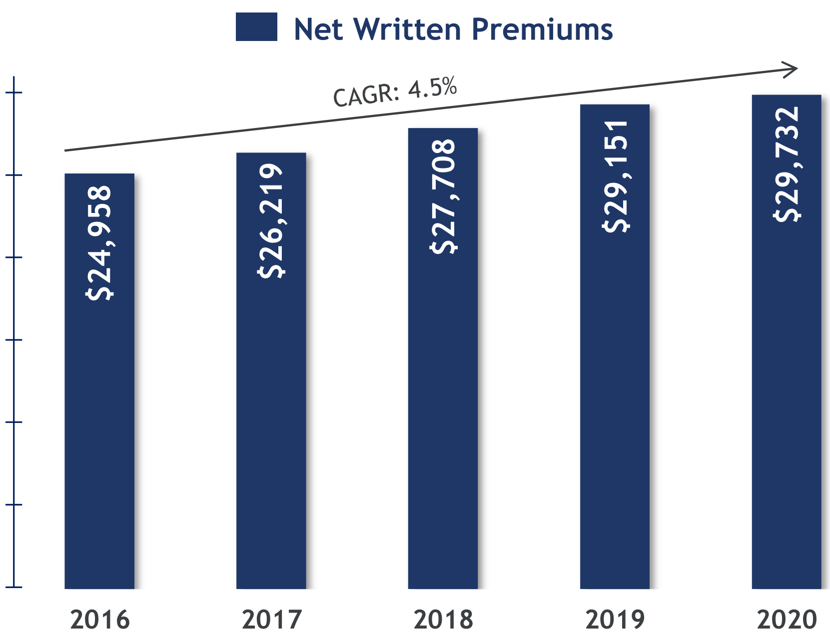
Travelers Business Segments

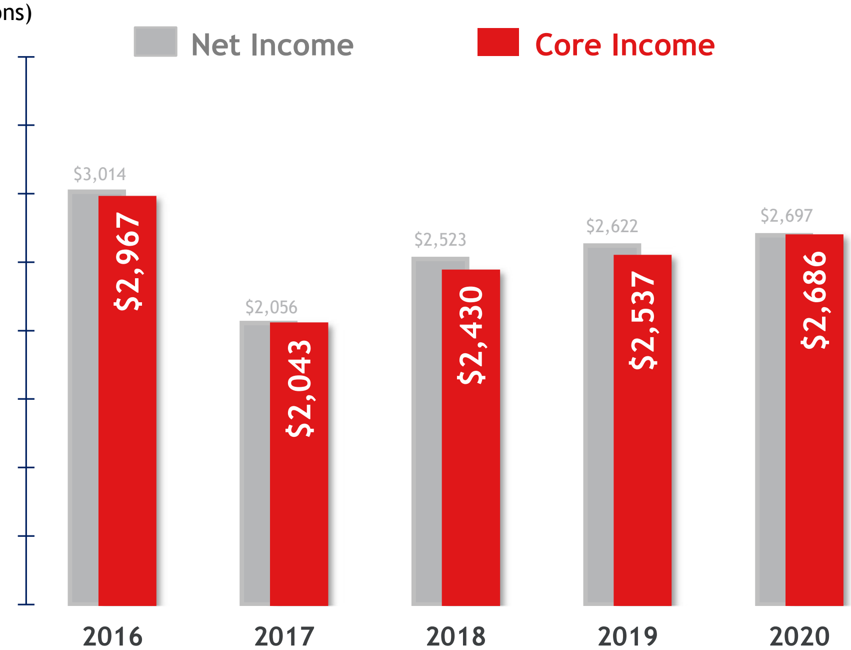
*2020 Net Written Premiums: **<u>$29.7 Billion</u>***



Travelers Consolidated Overview

($ in millions)

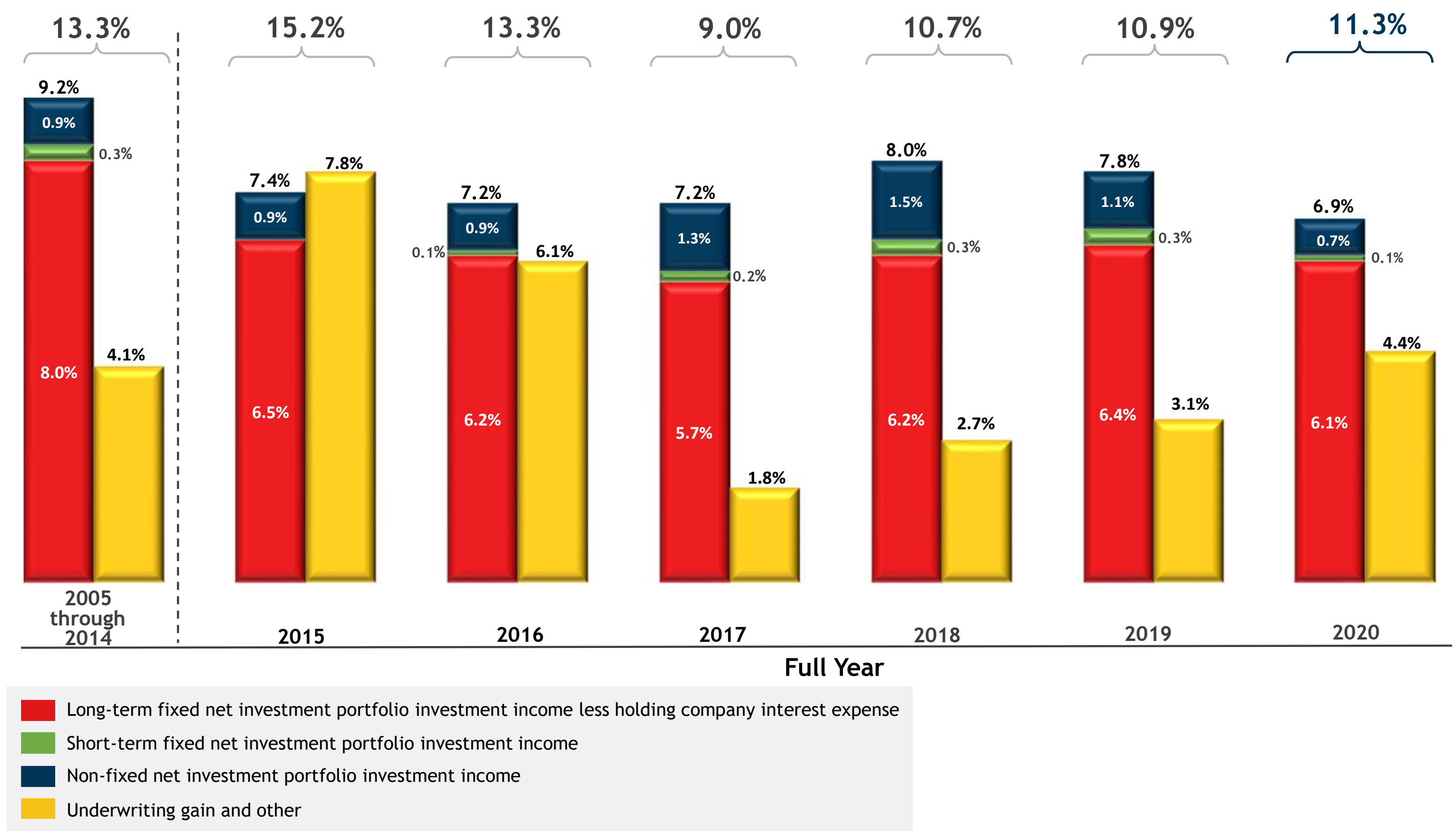




	2016	2017	2018	2019	2020
Underlying Combined Ratio[1]	91.6 %	92.6 %	92.5 %	93.2 %	**90.7 %**
Impact of:					
Catastrophe losses	3.6 pts	7.6 pts	6.3 pts	3.1 pts	**5.5** pts
Net (favorable) unfavorable prior year reserve development	(3.2) pts	(2.3) pts	(1.9) pts	0.2 pts	**(1.2)** pts
Combined Ratio	**92.0 %**	**97.9 %**	**96.9 %**	**96.5 %**	**95.0 %**

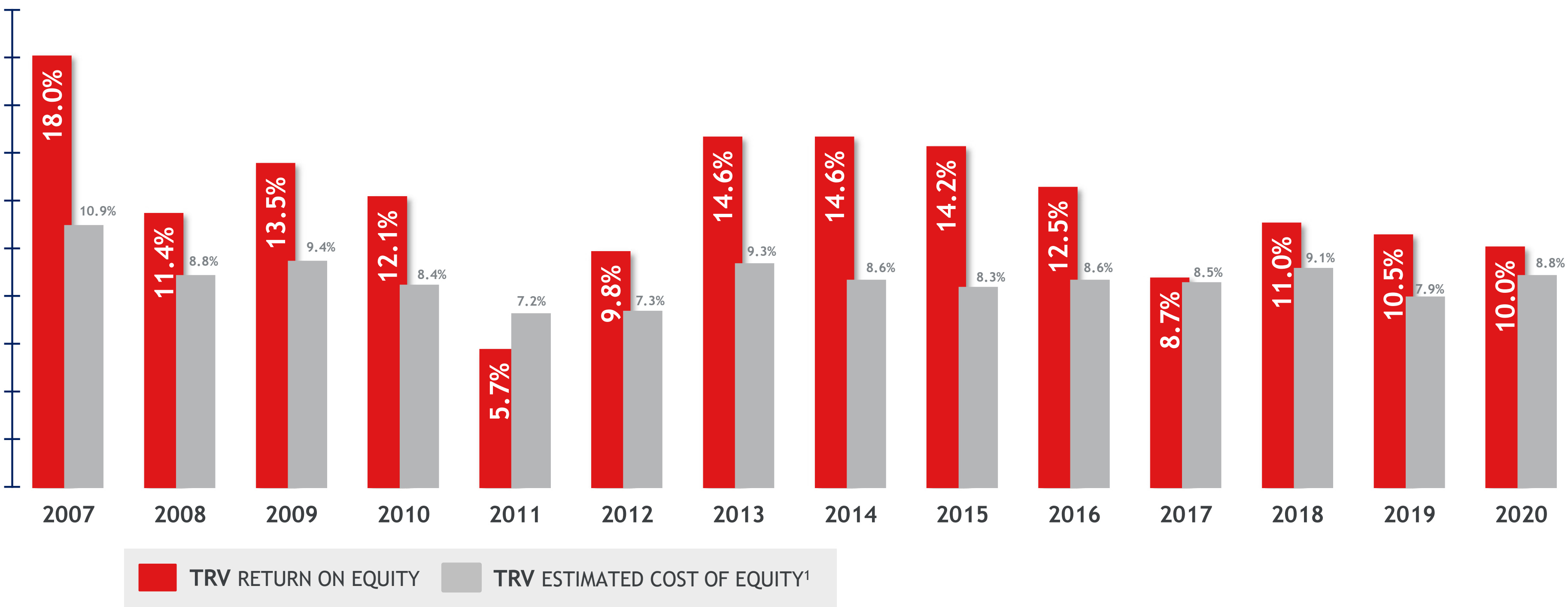
[1] Excludes catastrophe losses and prior year reserve development

Components of Core Return on Equity



Generation of Top Tier Earnings

RETURN ON EQUITY vs. ESTIMATED COST OF EQUITY[1]



From January 1, 2006 through December 31, 2020, TRV's average annual ROE was approximately 12.3%

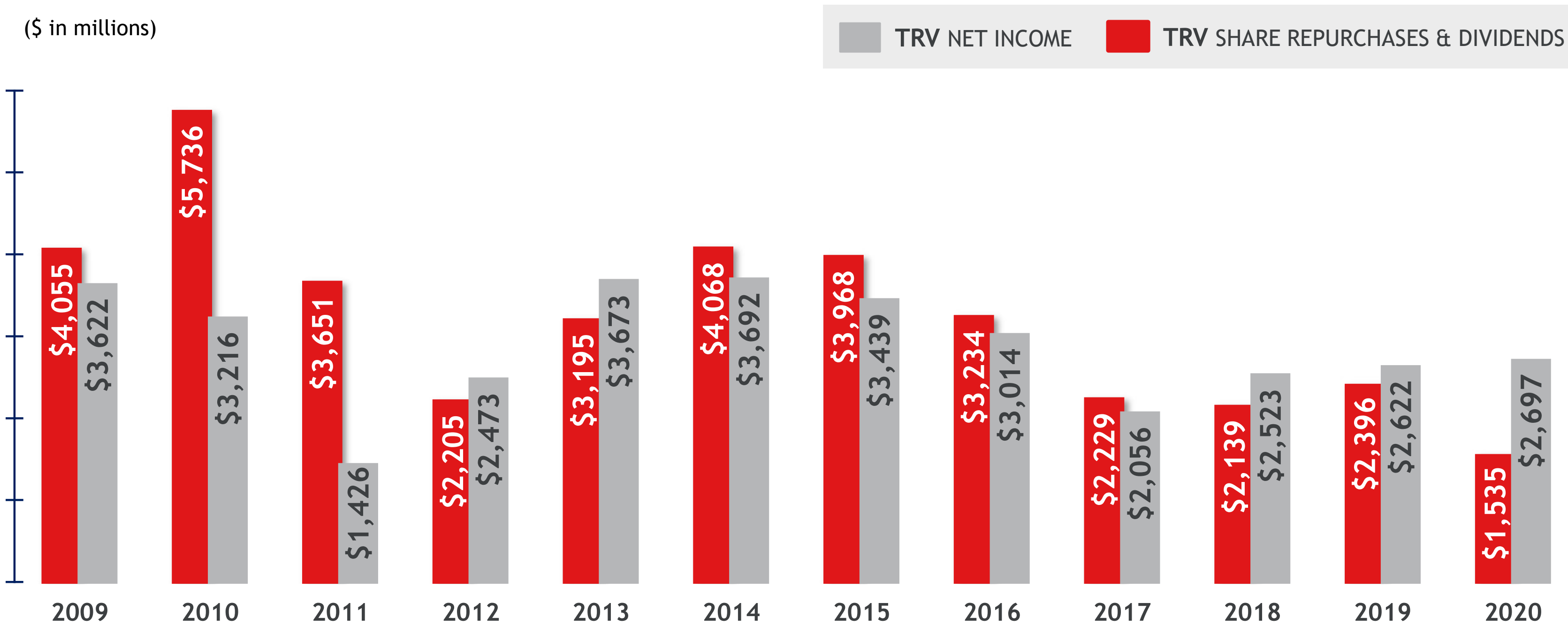
[1] The cost of equity: weekly two year adjusted beta against S&P 500, Ibbotson equity market risk premium and ten-year Treasury.

Balanced Approach to Rightsizing Capital

1. Operating company capital maintained at levels needed to support current business profile and growth opportunities consistent with AA rating objective
2. Excess capital in operating companies transferred to holding company
3. Holding company leverage maintained at level consistent with AA rating objective
4. Holding company liquidity maintained in excess of amount equal to one year's dividends and interest
5. Unneeded capital returned to shareholders

Excess Capital Returned to Shareholders

($ in millions)



2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
112%	178%	256%	89%	87%	110%	115%	107%	108%	85%	91%	57%

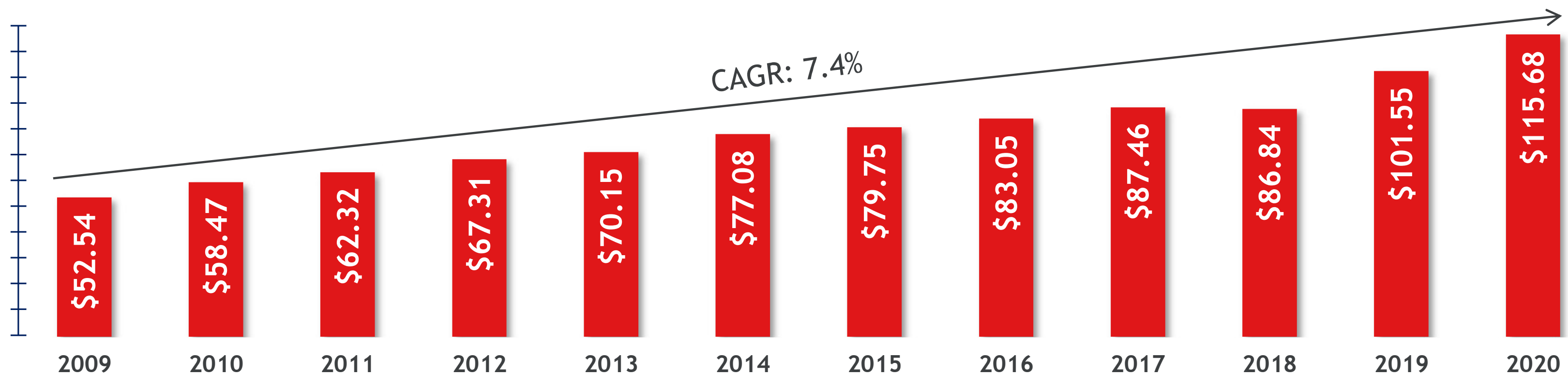
SHARE REPURCHASES AND DIVIDENDS AS PERCENTAGE OF NET INCOME

Since the initial share repurchase authorization granted by the Board on May 2, 2006, TRV has returned $46.8 billion[1] in share repurchases and dividends or 155% of the market capitalization on that day

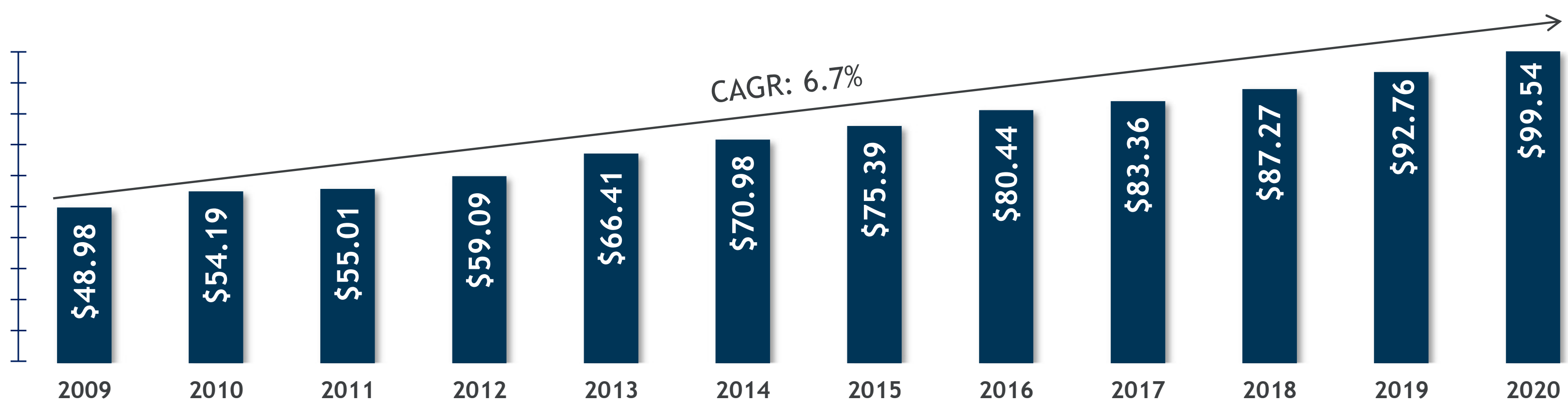
[1] Through December 31, 2020

Growing Book Value Per Share

BOOK VALUE PER SHARE



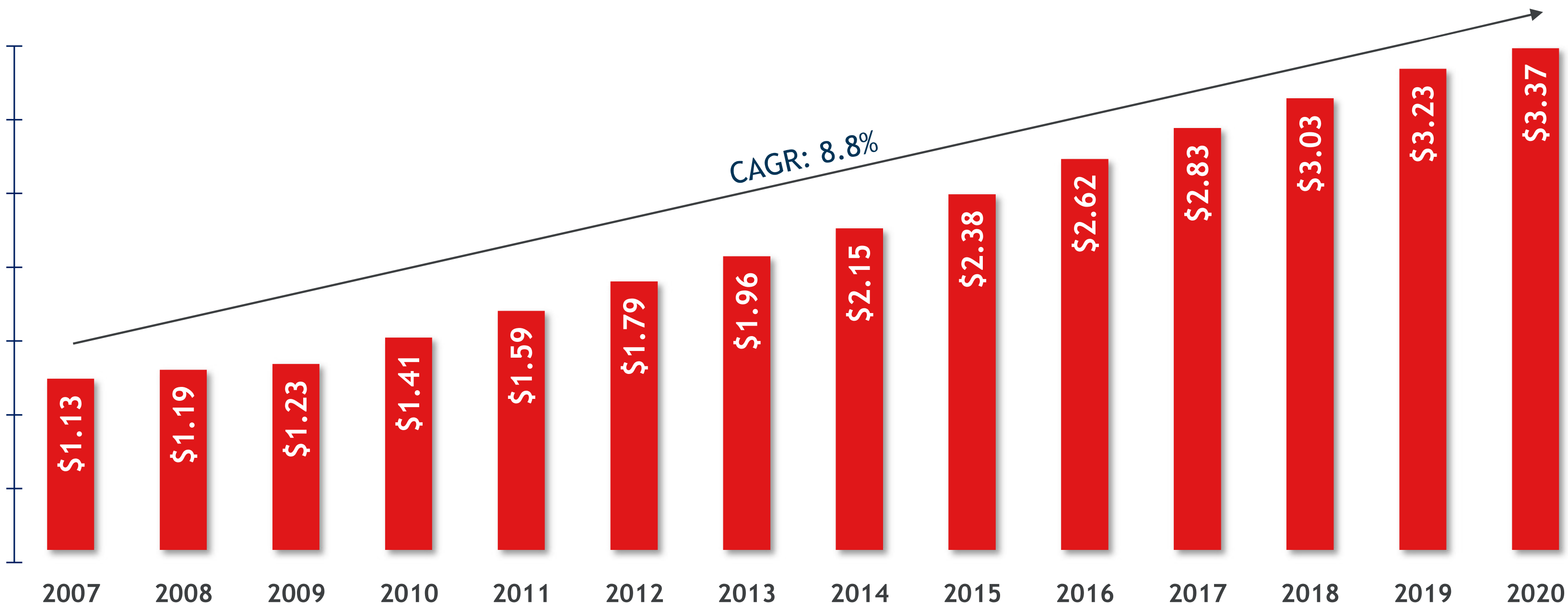
ADJUSTED BOOK VALUE PER SHARE[1]



[1] Adjusted book value per share is total common shareholders' equity excluding the after-tax impact of net unrealized investment gain (losses) included in shareholders' equity, divided by the number of common shares outstanding

Consistent Dividend Growth

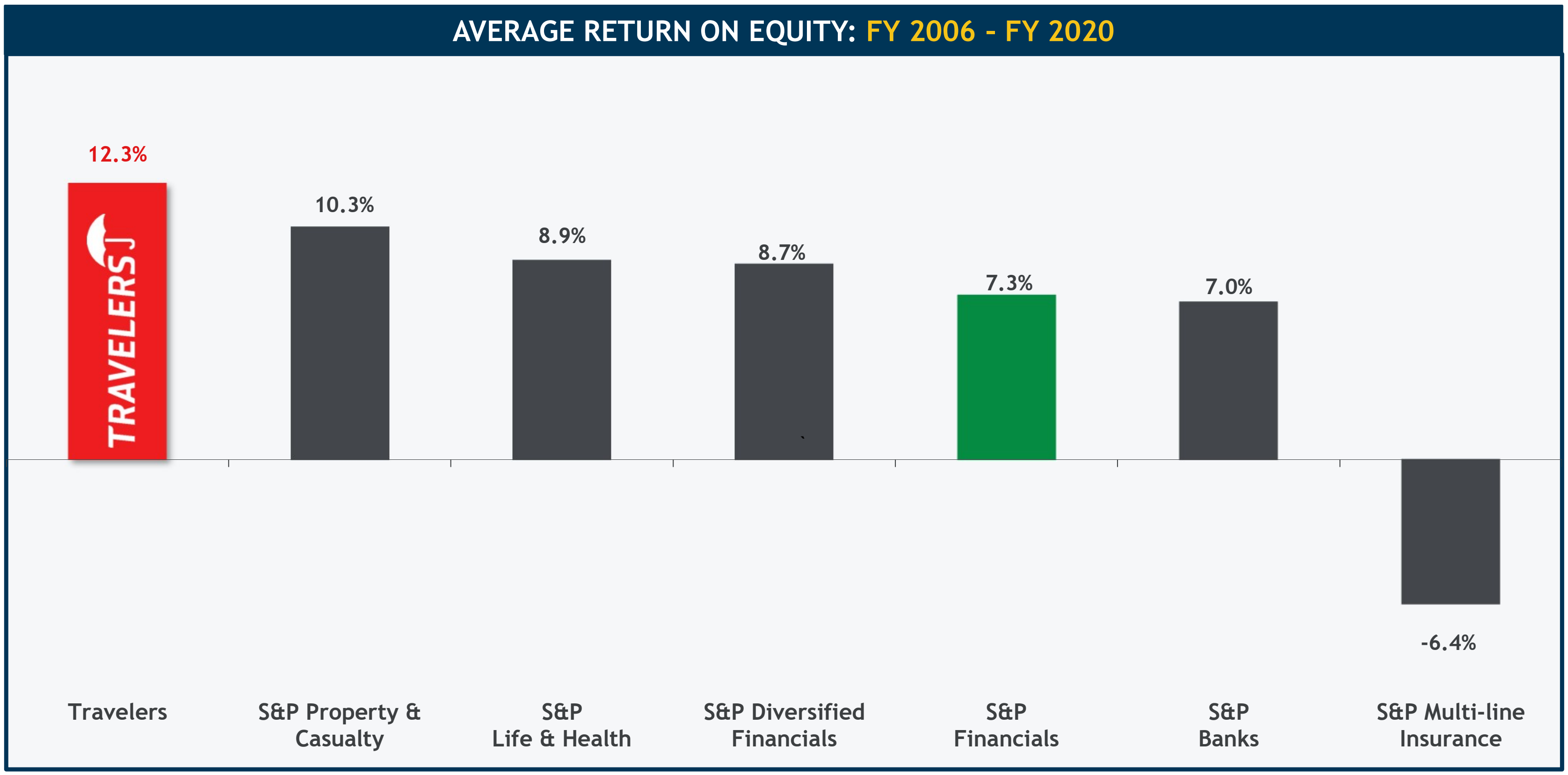
DIVIDEND PER SHARE



Travelers has paid cash dividends without interruption for 149 years; current dividend yield[1]: 2.4%

[1] As of market close on December 31, 2020

Return Focused Company



Our focus has resulted in top tier returns in P&C industry and financial services industry broadly

Source: Bloomberg, Return on Common Equity calculated on a Trailing 12 Months Net Income

Sustainability

Our long-term success depends not only on our business strategy and competitive advantages but also on keeping our promise to be there for our customers, communities and employees. *For this reason, we take an integrated approach to sustained value creation.*

Because we believe it is important for our shareholders and other stakeholders to understand how we create value over time, in the broadest sense, we annually publish a website in which we articulate our integrated and comprehensive approach to value creation over time: https://sustainability.travelers.com/

The reporting on the site is aligned with several leading ESG disclosure frameworks, including **SASB** and **TCFD**, and includes a comprehensive discussion regarding 16 topics we determined to be most relevant to our industry, our business and our stakeholders:

APPENDIX

Consistent High Quality Investment Portfolio

($ in millions)

	December 31, 2020	December 31, 2019	December 31, 2018
Total Investments	$ 84,423	$ 77,884	$ 72,278
Taxable fixed maturities	*48%*	*49%*	*49%*
Tax-exempt fixed maturities	*40%*	*38%*	*39%*
Total fixed maturities	*88%*	*87%*	*88%*
Short-term securities	*6%*	*7%*	*5%*
Total fixed income	***94%***	***94%***	***93%***
Equity securities	*1%*	*1%*	*1%*
Real estate investments	*1%*	*1%*	*1%*
Private equity funds	*3%*	*3%*	*3%*
Hedge funds	*- %*	*- %*	*- %*
Real estate partnerships	*1%*	*1%*	*1%*
Other investments	*- %*	*- %*	*1%*
Total non-fixed income	***6%***	***6%***	***7%***
	100%	***100%***	***100%***
Fixed maturities data:			
Average quality rating	Aa2, AA	Aa2, AA	Aa2, AA
Below investment grade	1.8%	2.1%	2.3%
Weighted average duration[1]	3.8	4.0	4.5

INVESTMENT STRATEGY

- On-going
  - Investment portfolio managed to support insurance operations
  - Portfolio structured to "defease" obligations to policyholders and other creditors and to achieve appropriate risk adjusted returns on capital
  - Disciplined, long-term risk/return analysis drives asset allocation decisions
- Current view
  - High quality
  - Shorter duration

[1] Weighted average duration of fixed maturities and short-term securities, net of securities lending activities and net receivables and payables on investment sales and purchases

Combined Net Investment Income - After-tax

($ in millions)

TOTAL

After-tax yield	2019[1]	2020[1]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20
	2.8%	2.4%	2.7%	2.9%	2.8%	2.8%	2.7%	1.3%	2.9%	2.8%

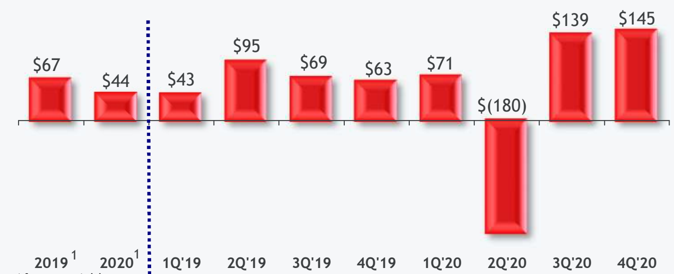
Fourth Quarter 2020 vs 2019 Commentary

- Net investment income (NII) from the long-term fixed income portfolio decreased due to lower interest rates, partially offset by an increase in average investments
- NII from the short-term fixed income portfolio decreased due to lower interest rates
- NII from the non-fixed income portfolio increased primarily due to higher private equity partnership returns and reflects third quarter recoveries in global financial markets following the first quarter market disruption associated with COVID-19 (non-fixed income returns are generally reported on a one-quarter lagged basis)

FIXED INCOME[2]

After-tax yield	2019[1]	2020[1]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20
Total	2.7%	2.4%	2.7%	2.7%	2.7%	2.7%	2.6%	2.4%	2.4%	2.3%
Short-term	2.0%	0.6%	2.3%	2.3%	2.1%	1.7%	1.5%	0.8%	0.3%	0.2%
Long-term	2.7%	2.6%	2.7%	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%	2.5%

NON-FIXED INCOME[2]



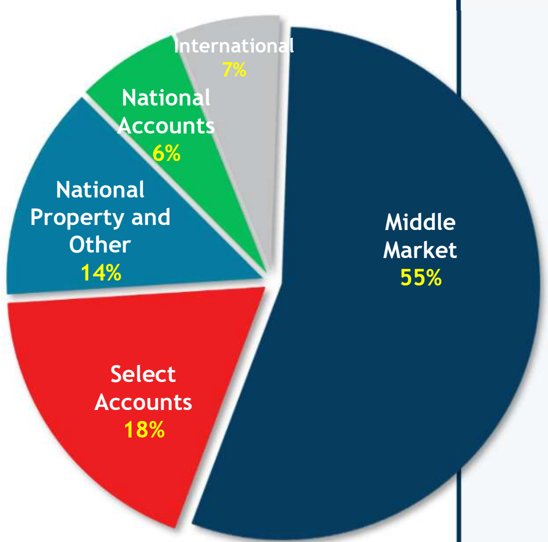
After-tax yield	2019[1]	2020[1]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20
	5.2%	3.5%	3.3%	7.3%	5.4%	4.9%	5.5%	(14.3%)	11.2%	11.3%

[1] 2019 and 2020 data represent quarterly average
[2] Excludes investment expenses

Business Insurance

*2020 Net Written Premiums: **$15.4 Billion***

BY MARKET



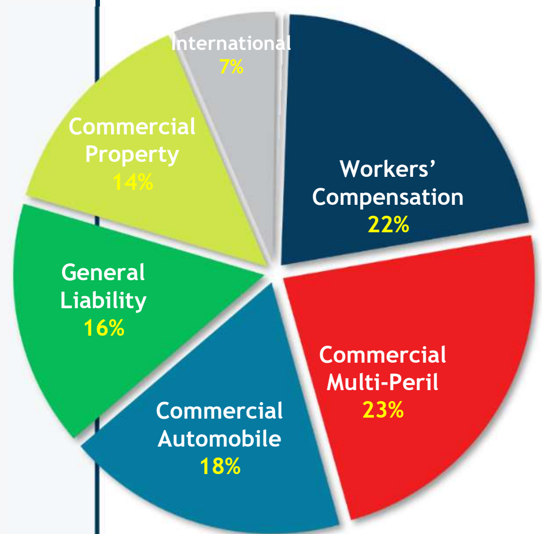
Domestic

- Predominantly small and middle market insurer
- Top five writer in all five major product lines[1]
- #1 writer in workers' compensation[1] with industry leading profitability

International

- Provide P&C Insurance and risk management services in Canada, the United Kingdom, the Republic of Ireland and throughout other parts of the world as a corporate member of Lloyd's
- Top 10 Canadian Writer

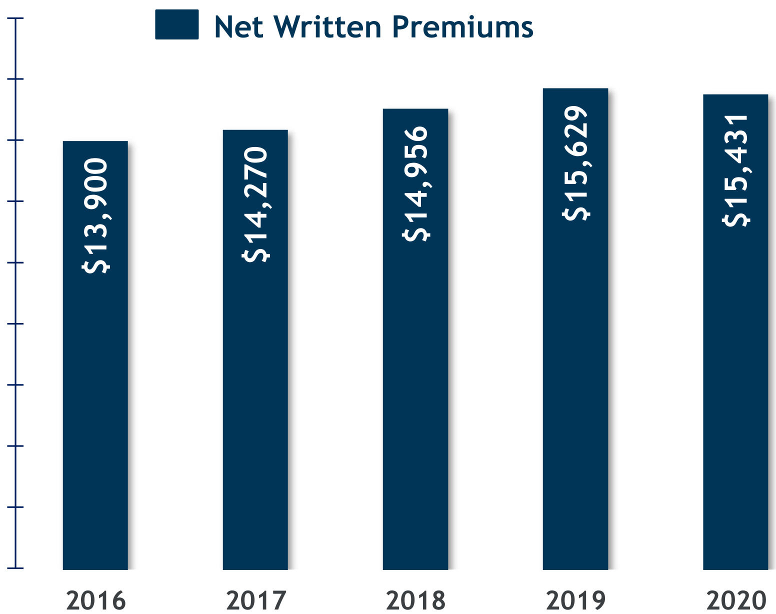
BY PRODUCT LINE

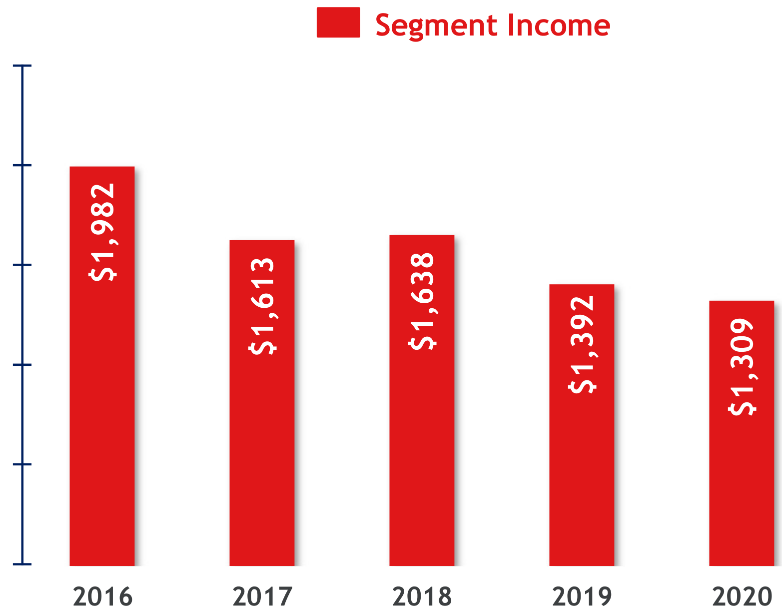


[1]Market share ranking source: S&P Global Market Intelligence. 2019 U.S. Statutory DWP

Business Insurance

($ in millions)





	2016	2017	2018	2019	2020
Underlying Combined Ratio[1]	93.8 %	94.9 %	95.7 %	96.2 %	95.5 %
Impact of:					
Catastrophe losses	3.4 pts	6.0 pts	4.4 pts	3.0 pts	4.2 pts
Net (favorable) unfavorable prior year reserve development	(3.1) pts	(3.1) pts	(1.0) pts	1.7 pts	0.6 pts
Combined Ratio	**94.1 %**	**97.8 %**	**99.1 %**	**100.9 %**	**100.3 %**

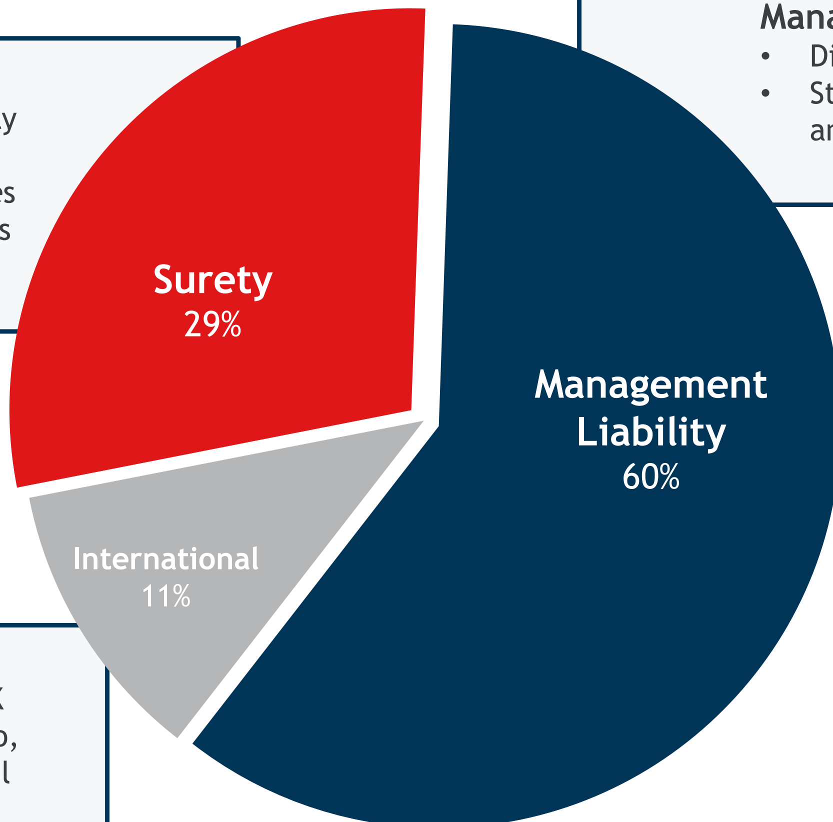
[1] Excludes catastrophe losses and prior year reserve development

Bond & Specialty Insurance

*2020 Net Written Premiums: **$3.0 Billion***

Surety
- A leading writer of Surety in US[1]
- High-value client services
- Balanced portfolio across contractor sizes and industry segments

Management Liability
- Diversified risk profile
- Strong presence in small and middle market

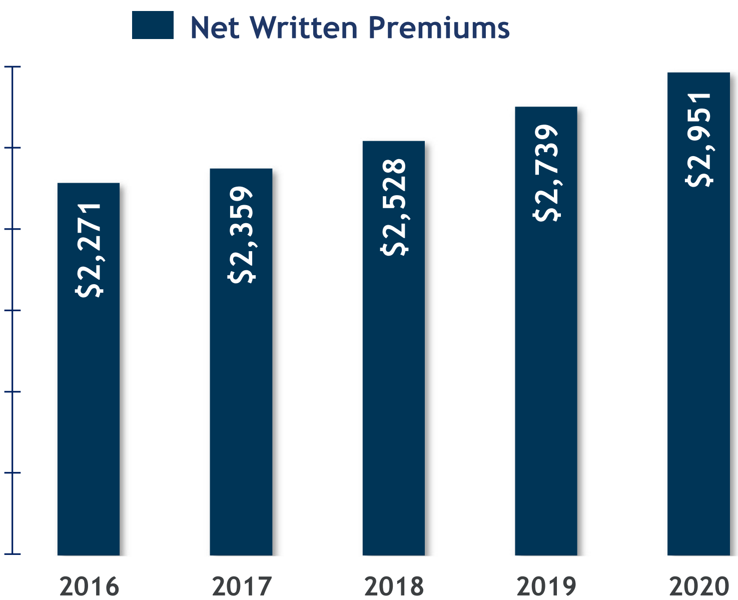


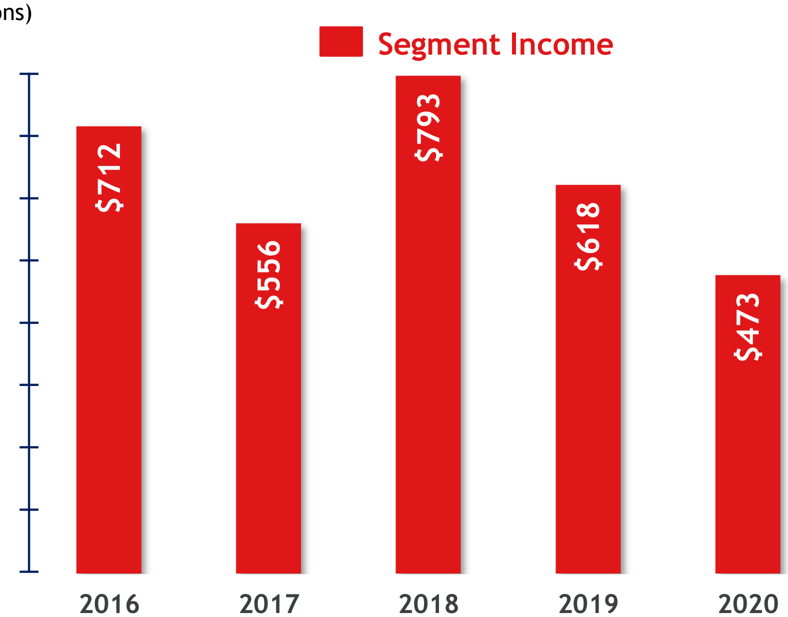
International
- Focus on Canada and UK
- Joint venture with Junto, a market leader in Brazil Surety

[1]S&P Global Market Intelligence. 2019 U.S. Statutory DWP

Bond & Specialty Insurance

($ in millions)



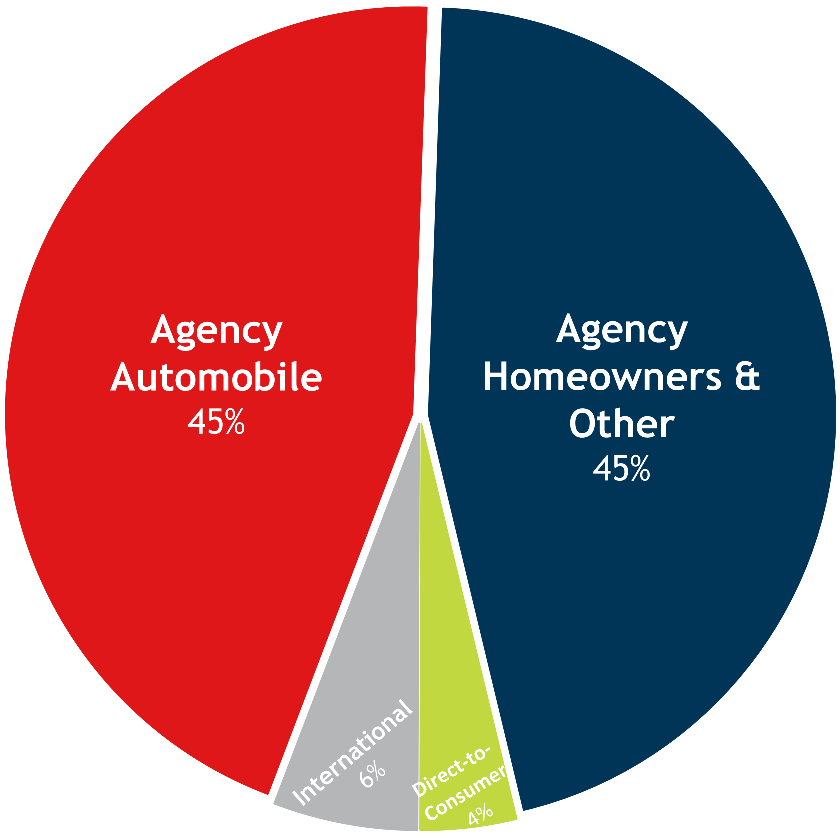


	2016	2017	2018	2019	2020
Underlying Combined Ratio[1]	80.9 %	83.2 %	79.4 %	81.8 %	87.0 %
Impact of:					
Catastrophe losses	0.3 pts	0.3 pts	0.6 pts	0.2 pts	0.4 pts
Net favorable prior year reserve development	(15.5) pts	(6.1) pts	(11.0) pts	(2.5) pts	- pts
Combined Ratio	**65.7 %**	**77.4 %**	**69.0 %**	**79.5 %**	**87.4 %**

[1] Excludes catastrophe losses and prior year reserve development

Personal Insurance

2020 Net Written Premiums: ***$11.3 Billion***

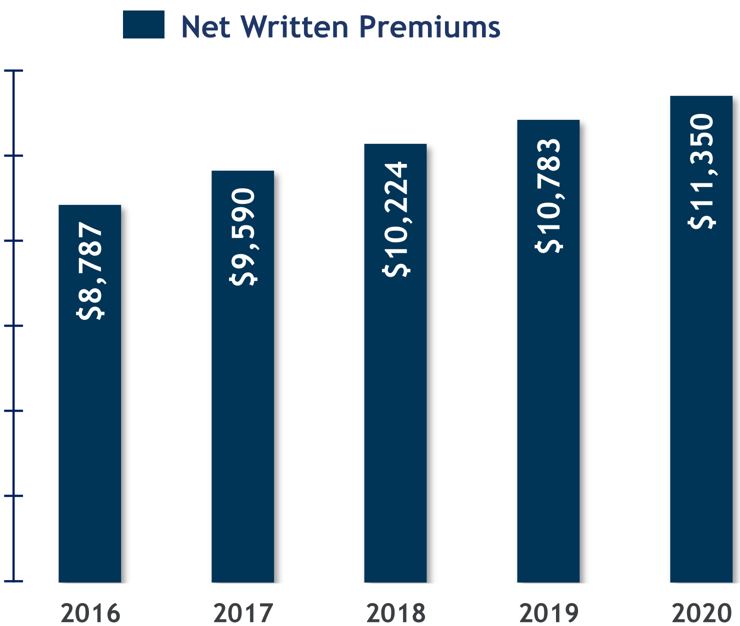


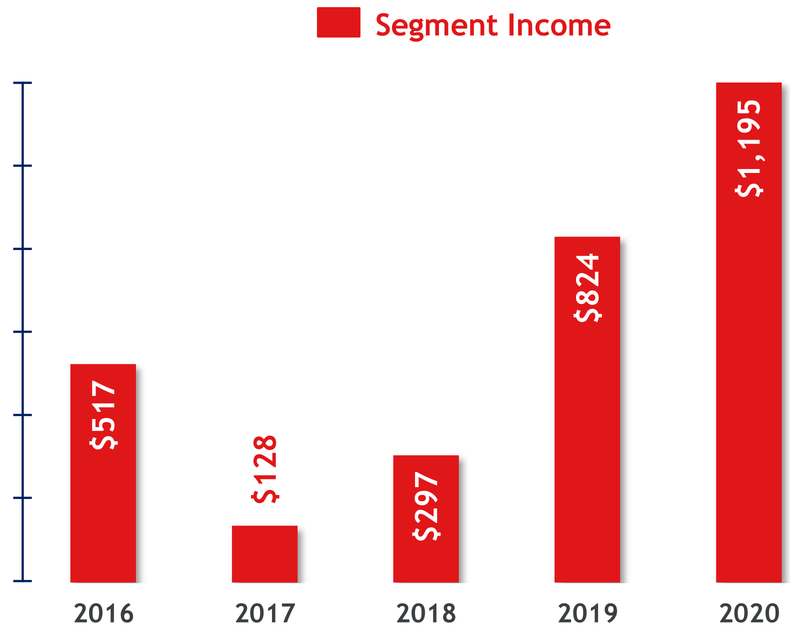
Personal Insurance

- Premier company within independent agent channel
- Full account solution provider with industry leading property results and strong position in the preferred market
- Competing successfully in a changing environment (Quantum 2.0)

Personal Insurance

($ in millions)





	2016	2017	2018	2019	2020
Underlying Combined Ratio[1]	90.9 %	91.5 %	91.0 %	91.5 %	85.0 %
Impact of:					
Catastrophe losses	4.9 pts	11.7 pts	10.7 pts	4.0 pts	8.8 pts
Net favorable prior year reserve development	- pts	(0.1) pts	(1.1) pts	(1.3) pts	(4.1) pts
Combined Ratio	95.8 %	103.1 %	100.6 %	94.2 %	89.7 %

[1] Excludes catastrophe losses and prior year reserve development

Explanatory Note

This presentation 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 and its future results of operations and financial condition (including, among other things, anticipated premium volume, premium rates, renewal premium changes, underwriting margins and underlying underwriting margins, net and core income, investment income and performance, loss costs, return on equity, core return on equity and expected current returns, and combined ratios and underlying combined ratios);
- the impact of COVID-19 and related economic conditions, including the potential impact on the Company’s investments;
- the impact of legislative or regulatory actions or court decisions taken in response to COVID-19 or otherwise;
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company’s asbestos and other reserves;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;
- catastrophe losses;
- the impact of investment (including changes in interest rates), economic (including inflation, changes in tax law, changes in commodity prices and fluctuations in foreign currency exchange rates) and underwriting market conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company’s competitive advantages;
- new product offerings;
- the impact of new or potential regulations imposed or to be imposed by the United States or other nations, including tariffs or other barriers to international trade; and
- the impact of developments in the tort environment, such as increased attorney involvement in insurance claims and legislation allowing victims of sexual abuse to file or proceed with claims that otherwise would have been time-barred.

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

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

- high levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas, could materially and adversely affect the Company’s results of operations, its financial position and/or liquidity, and could adversely impact the Company’s ratings, the Company’s ability to raise capital and the availability and cost of reinsurance;
- if actual claims exceed the Company’s claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments in which the Company operates or the impacts of COVID-19, the Company’s financial results could be materially and adversely affected;
- the impact of COVID-19 and related risks, including on the Company’s distribution or other key partners, could materially affect the Company's results of operations, financial position and/or liquidity;
- during or following a period of financial market disruption or an economic downturn, such as the current environment, the Company’s business could be materially and adversely affected;
- the Company’s investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses, particularly in the current environment;
- the intense competition that the Company faces, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates, could harm its ability to maintain or increase its business volumes and its profitability;
- the Company’s business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- disruptions to the Company’s relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape could adversely affect the Company;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances;
- the effects of emerging claim and coverage issues on the Company’s business are uncertain, and court decisions or legislative or regulatory changes that take place after the Company issues its policies, including those taken in response to COVID-19 (such as effectively expanding workers’ compensation coverage by instituting presumptions of compensability of claims for certain types of workers or requiring insurers to cover business interruption claims irrespective of terms, exclusions or other conditions included in the policies that would otherwise preclude coverage), can result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results of operations;
- the Company may not be able to collect all amounts due to it from reinsurers, reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all and the Company is exposed to credit risk related to its structured settlements;
- the Company is exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that it has with third parties, which risk is heightened in the current environment;
- within the United States, the Company’s businesses are heavily regulated by the states in which it conducts business, including licensing, market conduct and financial supervision, and changes in regulation or regulatory actions (including those taken in response to COVID-19) may reduce the Company’s profitability and limit its growth;
- a downgrade in the Company’s claims-paying and financial strength ratings could adversely impact the Company’s business volumes, adversely impact the Company’s ability to access the capital markets and increase the Company’s borrowing costs;
- the inability of the Company’s insurance subsidiaries to pay dividends to the Company’s holding company in sufficient amounts would harm the Company’s ability to meet its obligations, pay future shareholder dividends and/or make future share repurchases;
- the Company’s efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may create enhanced risks;
- the Company may be adversely affected if its pricing and capital models provide materially different indications than actual results;
- the Company’s business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology, particularly as its business processes become more digital;
- if the Company experiences difficulties with technology, data and network security (including as a result of cyber attacks), outsourcing relationships or cloud-based technology, the Company’s ability to conduct its business could be negatively impacted. This risk is heightened in the current environment where a majority of the Company's employees have shifted to a work from home arrangement;
- the Company is also subject to a number of additional risks associated with its business outside the United States, such as foreign currency exchange fluctuations (including with respect to the valuation of the Company’s foreign investments and interests in joint ventures) and restrictive regulations as well as the risks and uncertainties associated with the United Kingdom’s withdrawal from the European Union;
- regulatory changes outside of the United States, including in Canada, the United Kingdom, the Republic of Ireland and the European Union, could adversely impact the Company’s results of operations and limit its growth;
- loss of or significant restrictions on the use of particular types of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of the Company’s products could reduce the Company’s future profitability;
- acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences;
- the Company could be adversely affected if its controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective;
- the Company’s businesses may be adversely affected if it is unable to hire and retain qualified employees;
- intellectual property is important to the Company’s business, and the Company may be unable to protect and enforce its own intellectual property or the Company may be subject to claims for infringing the intellectual property of others;
- changes in federal regulation could impose significant burdens on the Company, and otherwise adversely impact the Company’s results;
- changes in U.S. tax laws or in the tax laws of other jurisdictions where the Company operates could adversely impact the Company; and
- the Company’s share repurchase plans depend on a variety of factors, including the Company’s financial position, earnings, share price, catastrophe losses, maintaining capital levels commensurate with the Company’s desired ratings from independent rating agencies, changes in levels of written premiums, funding of the Company’s qualified pension plan, capital requirements of the Company’s operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions and other factors, including the ongoing level of uncertainty related to COVID-19.

Our forward-looking statements speak only as of the date of this presentation or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in 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.

Disclosure

In this presentation, we may refer to some non-GAAP financial measures. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the press release and financial supplement that we have made available in connection with this presentation and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) as updated by our subsequent periodic filings with the SEC. See the "Investors" section at Travelers.com.

For further information, please see Travelers reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC's website (www.sec.gov).

Copies of this presentation and the accompanying webcast are publicly available on the Travelers website (www.travelers.com). This presentation should be read with the accompanying webcast and related press release and financial supplement.

Travelers may use its website and/or social media outlets, such as Facebook and Twitter, as distribution channels of material 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 Notification section at http://investor.travelers.com.

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)	2020	2019	2020	2019
Net income	$ 1,310	$ 873	$ 2,697	$ 2,622
Adjustments:				
Net realized investment gains	(48)	(6)	(11)	(85)
Core income	$ 1,262	$ 867	$ 2,686	$ 2,537

	Twelve Months Ended December 31,													
($ in millions, after-tax)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net income	$ 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	2,523	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	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment (1)	-	129	-	-	-	-	-	-	-	-	-	-	-	-
Core income	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	$ 2,430	$ 2,043	$ 2,967	$ 3,437	$ 3,641	$ 3,567	$ 2,441	$ 1,389	$ 3,040	$ 3,597	$ 3,191	$ 4,496	$ 4,195	$ 2,020

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

Glossary of Financial Measures and Reconciliations of GAAP Measures to Non-GAAP Measures

Reconciliation of Segment Income to Total Core Income

($ in millions, after-tax)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Business Insurance	$ 713	$ 448	$ 1,309	$ 1,392
Bond & Specialty Insurance	164	167	473	618
Personal Insurance	457	327	1,195	824
Total segment income	1,334	942	2,977	2,834
Interest Expense and Other	(72)	(75)	(291)	(297)
Total core income	**$ 1,262**	**$ 867**	**$ 2,686**	**$ 2,537**

($ in millions, after-tax)	Twelve months ended December 31, 2020	2019	2018	2017	2016
Business Insurance	$ 1,309	$ 1,392	$ 1,638	$ 1,613	$ 1,982
Bond & Specialty Insurance	473	618	793	556	712
Personal Insurance	1,195	824	297	128	517
Total segment income	2,977	2,834	2,728	2,297	3,211
Interest Expense and Other	(291)	(297)	(298)	(254)	(244)
Total core income	**$ 2,686**	**$ 2,537**	**$ 2,430**	**$ 2,043**	**$ 2,967**

Glossary of Financial Measures and Reconciliations of GAAP Measures to Non-GAAP Measures

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)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Shareholders' equity	**$ 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	(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	(11)	(85)	(93)	(142)	(47)	(2)	(51)	(106)	(32)	(36)	(173)	(22)	271	(101)	(8)	(35)
Impact of TCJA at enactment	-	-	-	287	-	-	-	-	-	-	-	-	-	-	-	-
Preferred stock	-	-	-	-	-	-	-	-	-	-	(68)	(79)	(89)	(112)	(129)	(153)
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439
Adjusted shareholders' equity	**$ 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**

Return on equity is the ratio of annualized net income less preferred dividends to average shareholders’ equity for the periods presented. **Core return on equity** is the ratio of annualized core income 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)	2020	2019	2020	2019
Annualized net income	$ 5,236	$ 3,490	$ 2,697	$ 2,622
Average shareholders' equity	28,525	25,775	26,892	24,922
Return on equity	**18.4%**	**13.5%**	**10.0%**	**10.5%**
Annualized core income	$ 5,044	$ 3,468	$ 2,686	$ 2,537
Adjusted average shareholders' equity	24,558	23,472	23,790	23,335
Core return on equity	**20.5%**	**14.8%**	**11.3%**	**10.9%**

Glossary of Financial Measures and Reconciliations of GAAP Measures to Non-GAAP Measures

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

Calculation of Core Return on Equity

	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%

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 presentation 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 presentation 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 presentation 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 presentation, 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.

Glossary of Financial Measures and Reconciliations of GAAP Measures to Non-GAAP Measures

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

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

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

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)	2020	2019	2020	2019	2018	2017	2016
Loss and loss adjustment expense ratio							
Claims and claim adjustment expenses	$ 4,341	$ 4,640	$ 19,123	$ 19,133	$ 18,291	$ 17,467	$ 15,070
Less:							
Policyholder dividends	10	10	41	47	52	51	48
Allocated fee income	41	42	161	174	154	162	168
Loss ratio numerator	**$ 4,290**	**$ 4,588**	**$ 18,921**	**$ 18,912**	**$ 18,085**	**$ 17,254**	**$ 14,854**
Underwriting expense ratio							
Amortization of deferred acquisition costs	$ 1,215	$ 1,181	$ 4,773	$ 4,601	$ 4,381	$ 4,166	$ 3,985
General and administrative expenses (G&A)	1,142	1,085	4,509	4,365	4,297	4,170	4,154
Less:							
Non-insurance G&A	67	56	234	201	159	77	31
Allocated fee income	65	71	268	285	278	285	290
Billing and policy fees and other	28	27	97	108	93	88	89
Expense ratio numerator	**$ 2,197**	**$ 2,112**	**$ 8,683**	**$ 8,372**	**$ 8,148**	**$ 7,886**	**$ 7,729**
Earned premium	**$ 7,480**	**$ 7,250**	**$ 29,044**	**$ 28,272**	**$ 27,059**	**$ 25,683**	**$ 24,534**
Combined ratio (1)							
Loss and loss adjustment expense ratio	57.3%	63.3%	65.1%	66.9%	66.8%	67.2%	60.5%
Underwriting expense ratio	29.4%	29.1%	29.9%	29.6%	30.1%	30.7%	31.5%
Combined ratio	**86.7%**	**92.4%**	**95.0%**	**96.5%**	**96.9%**	**97.9%**	**92.0%**

(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. In addition, G&A include non-insurance expenses that are excluded from underwriting expenses, and accordingly are excluded in calculating the combined ratio.

Glossary of Financial Measures and Reconciliations of GAAP Measures to Non-GAAP Measures

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, and preferred stock, 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.

Reconciliation of Shareholders' Equity to Common Shareholders' Equity, Excluding Net Unrealized Investment Gains (Losses), Net of Tax

	As of December 31,											
($ in millions, except per share amounts)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Shareholders' equity	$ 29,201	$ 25,943	$ 22,894	$ 23,731	$ 23,221	$ 23,598	$ 24,836	$ 24,796	$ 25,405	$ 24,477	$ 25,475	$ 27,415
Less: Net unrealized investment gains (losses), net of tax, included in shareholders' equity	4,074	2,246	(113)	1,112	730	1,289	1,966	1,322	3,103	2,871	1,859	1,856
Preferred stock	-	-	-	-	-	-	-	-	-	-	68	79
Common shareholders' equity, excluding net unrealized investment gains (losses), net of tax	$ 25,127	$ 23,697	$ 23,007	$ 22,619	$ 22,491	$ 22,309	$ 22,870	$ 23,474	$ 22,302	$ 21,606	$ 23,548	$ 25,480
Common shares outstanding	252.4	255.5	263.6	271.4	279.6	295.9	322.2	353.5	377.4	392.8	434.6	520.3
Book value per share	$ 115.68	$ 101.55	$ 86.84	$ 87.46	$ 83.05	$ 79.75	$ 77.08	$ 70.15	$ 67.31	$ 62.32	$ 58.47	$ 52.54
Adjusted book value per share	99.54	92.76	87.27	83.36	80.44	75.39	70.98	66.41	59.09	55.01	54.19	48.98

Reconciliation of Pre-tax Net Investment Income to After-tax Net Investment Income

($ in millions)	2020 [1]	2019 [1]	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Pre-tax net investment income	$ 557	$ 617	$ 677	$ 671	$ 268	$ 611	$ 616	$ 622	$ 648	$ 582
Net investment income tax expense	80	93	105	105	17	92	91	94	100	86
After-tax net investment income	$ 477	$ 524	$ 572	$ 566	$ 251	$ 519	$ 525	$ 528	$ 548	$ 496

[1] 2019 and 2020 data represent quarterly average

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 a glossary of other financial terms used in this presentation, we refer you to the Company's most recent annual report on Form 10-K filed with the SEC.

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