

# Introduction to Travelers

4Q 2021

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## Long-Term Financial Strategy



**CREATE SHAREHOLDER VALUE**

Objective: Mid-Teens Core ROE *Over Time*



# Enterprise Key Competitive Advantages

## Return focused company

### Product breadth and specialization

- Leading U.S. commercial insurance writer in 2020 with a top 5 position in five major product lines<sup>1</sup>, including a **#1** position in workers' compensation, and commercial multi peril
- Top 3 writer in personal insurance through independent agents<sup>2</sup>, 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<sup>3</sup>
- 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 2021, nearly **92%** of CAT Personal Insurance property claims were closed in 30 days

**\$32b** Net Written  
Premiums

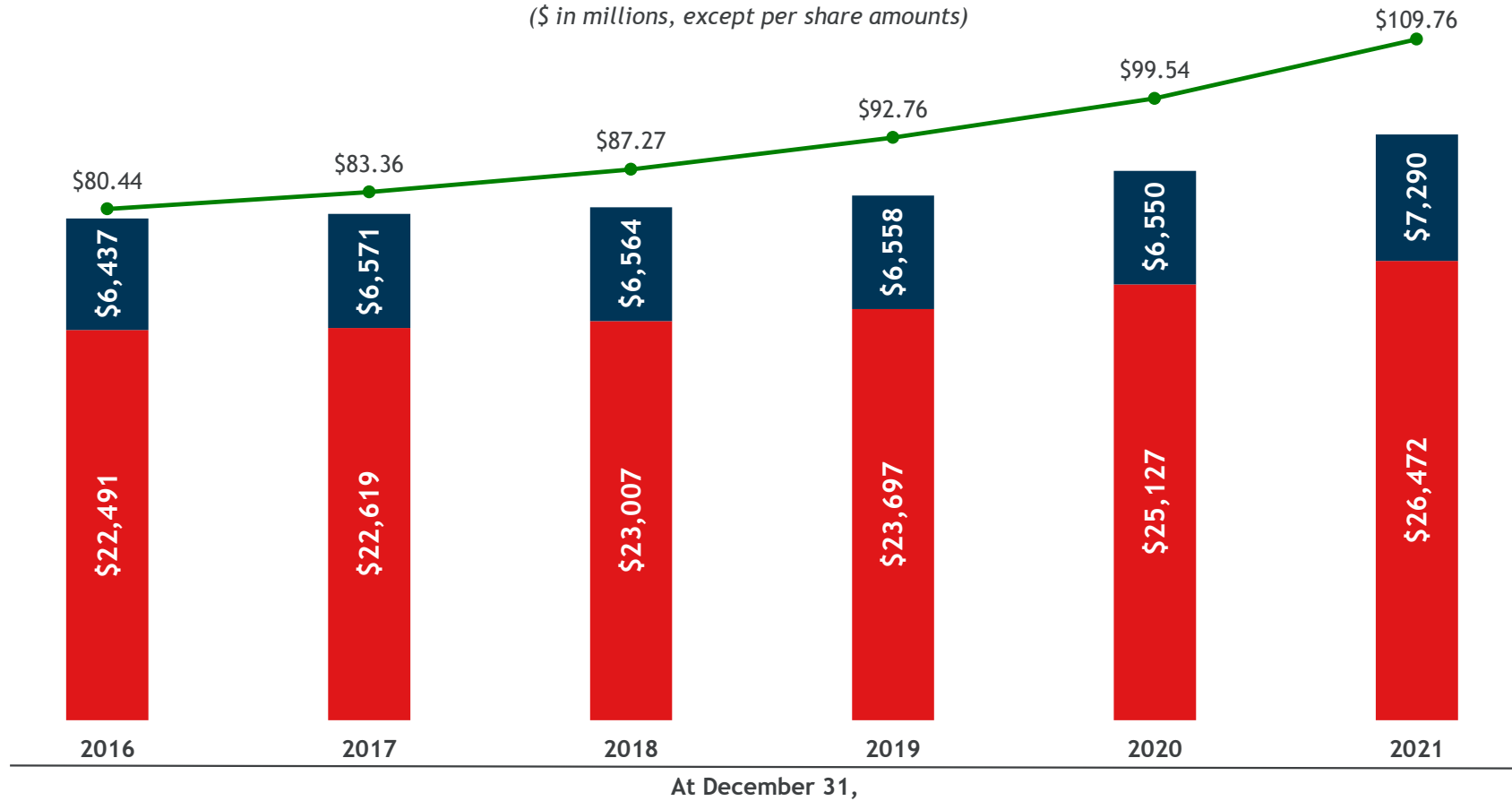
**>6m** Customers  
Insured

**13.5k** Agency & Broker  
Relationships



# Strong & Simple Balance Sheet

(\$ in millions, except per share amounts)



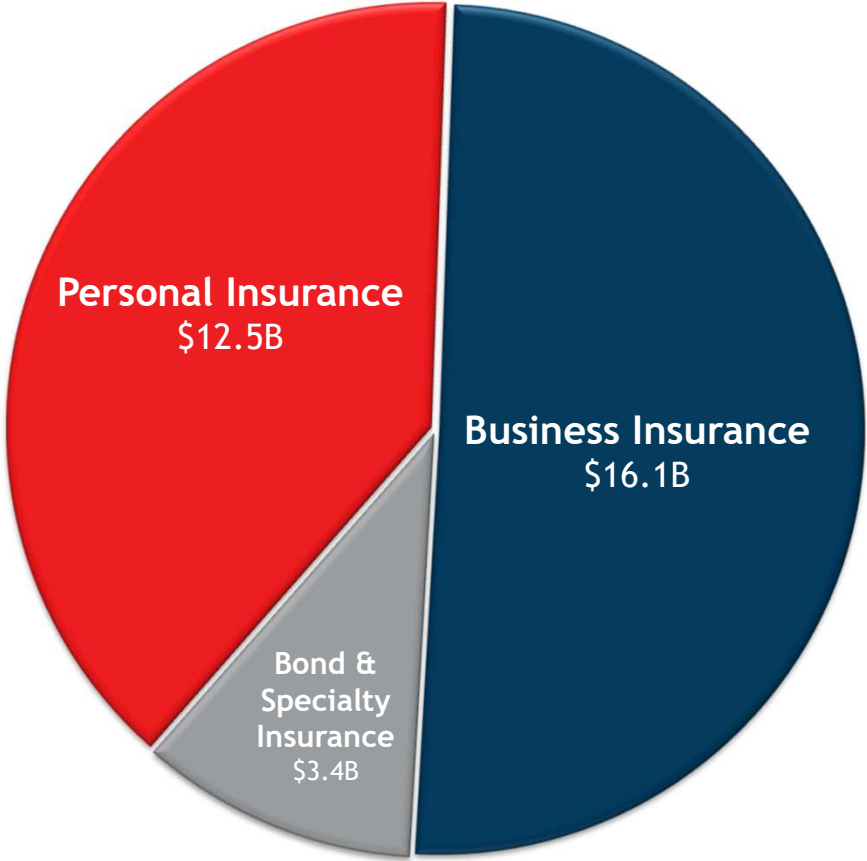
Common Shareholders' Equity <sup>1</sup>   Total Debt   Adjusted Book Value per Share <sup>1</sup>

<sup>1</sup> Excludes net unrealized investment gains (losses), net of tax, included in shareholders' equity

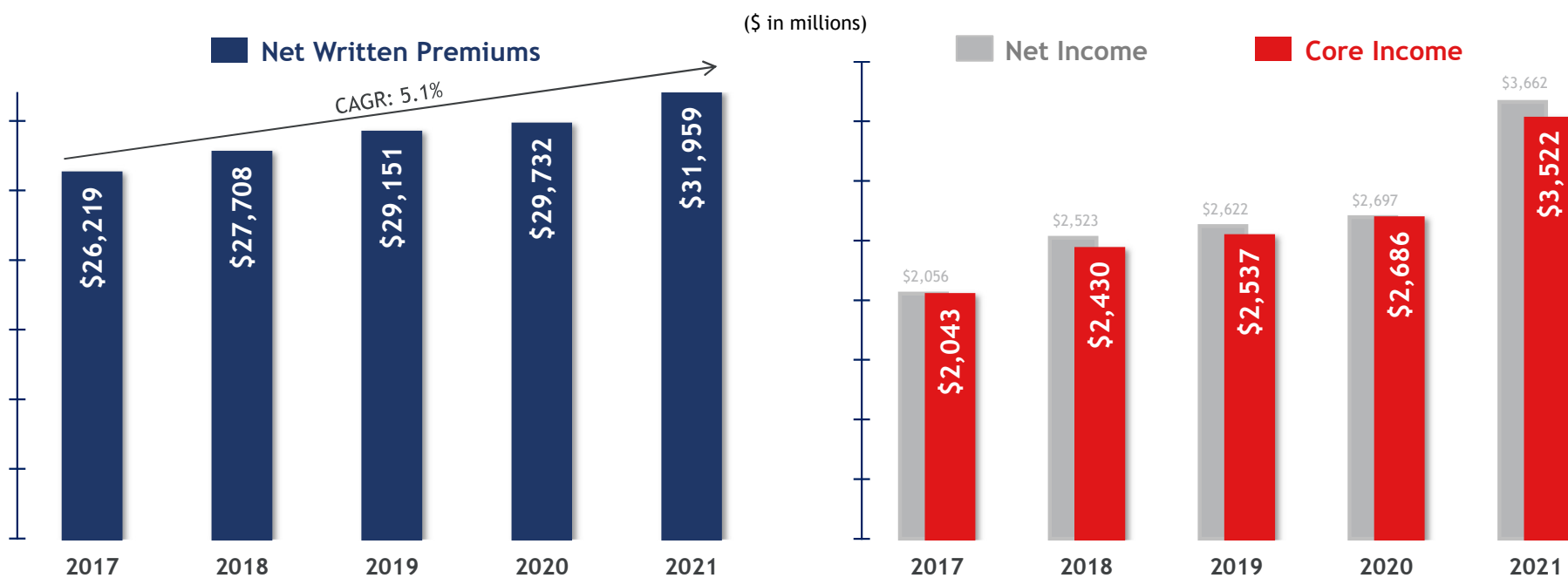


# Travelers Business Segments

2021 Net Written Premiums: \$32.0 Billion



# Travelers Consolidated Overview

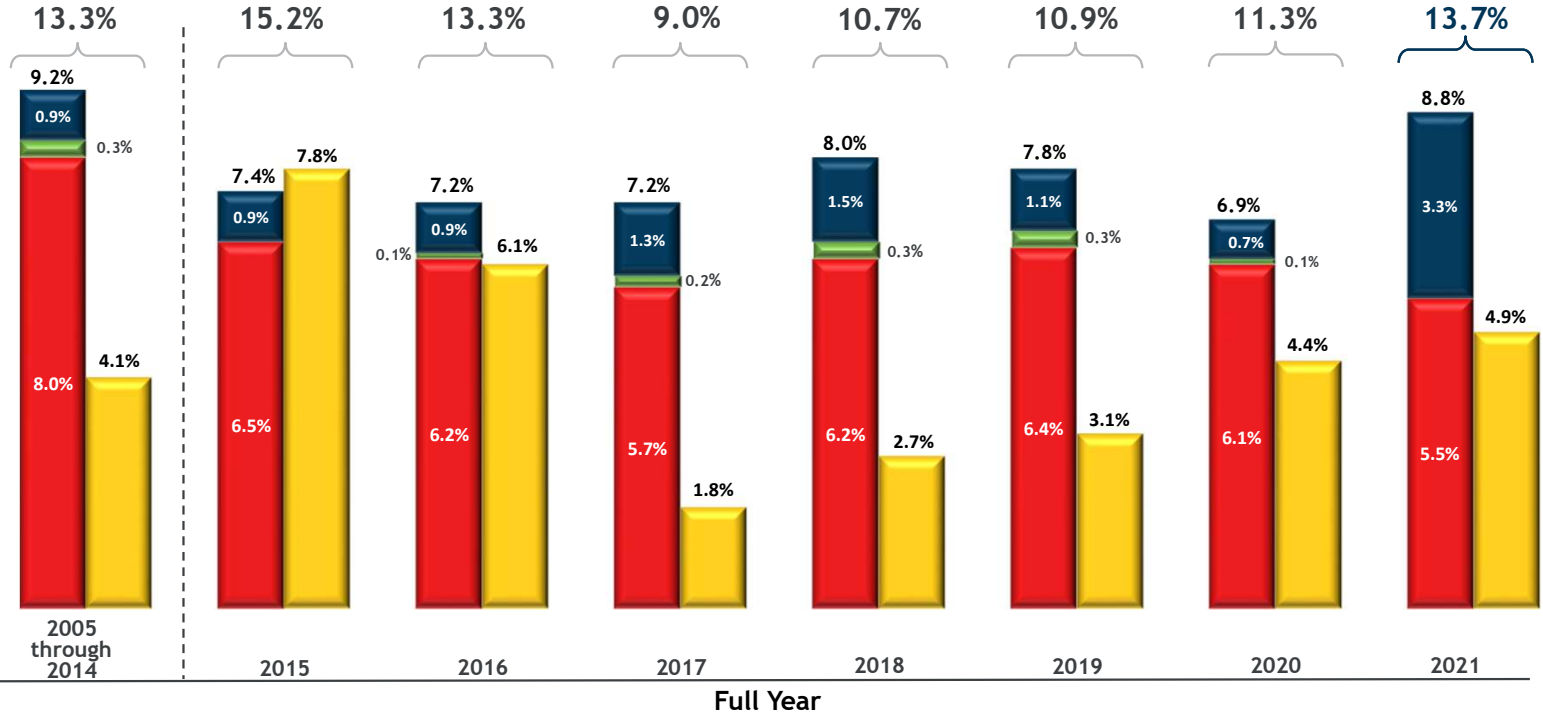


	2017	2018	2019	2020	2021
<b>Underlying Combined Ratio<sup>1</sup></b>	92.6 %	92.5 %	93.2 %	90.7 %	90.3 %
<b>Impact of:</b>					
Catastrophe losses	7.6 pts	6.3 pts	3.1 pts	5.5 pts	6.0 pts
Net (favorable) unfavorable prior year reserve development	(2.3) pts	(1.9) pts	0.2 pts	(1.2) pts	(1.8) pts
<b>Combined Ratio</b>	<b>97.9 %</b>	<b>96.9 %</b>	<b>96.5 %</b>	<b>95.0 %</b>	<b>94.5 %</b>

<sup>1</sup> Excludes catastrophe losses and prior year reserve development



# Components of Core Return on Equity

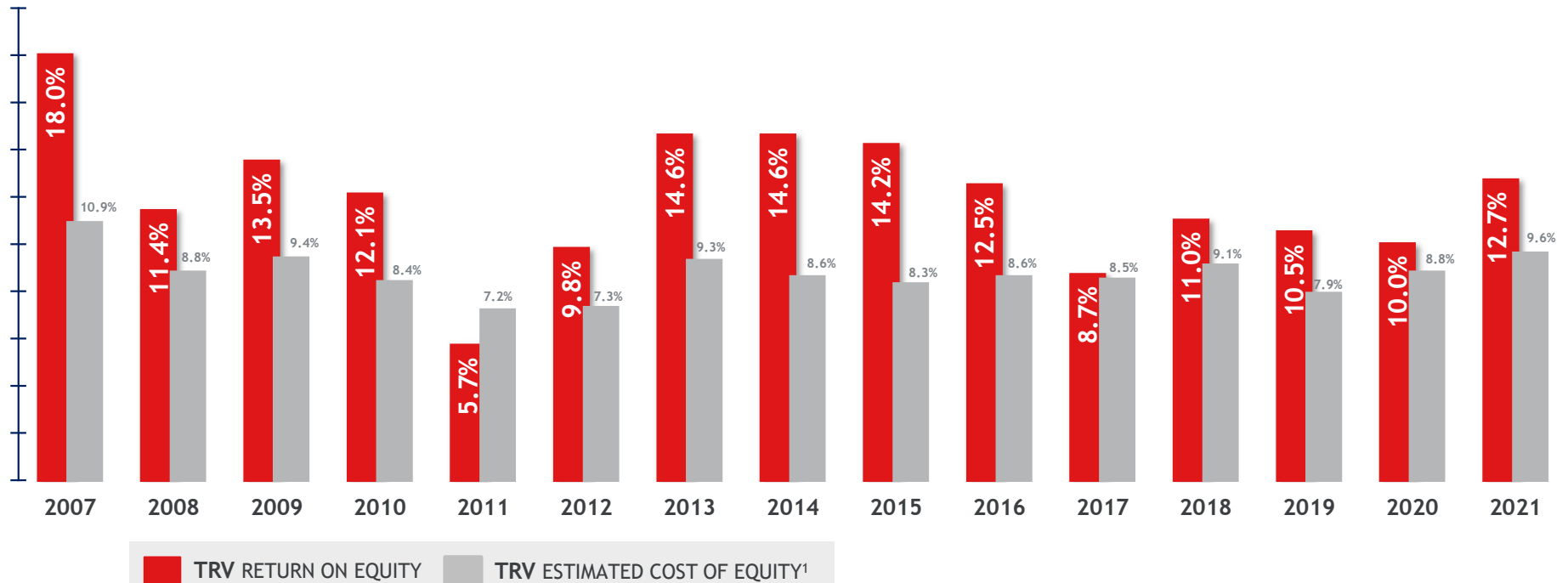


- Long-term fixed net investment portfolio investment income less holding company interest expense
- Short-term fixed net investment portfolio investment income
- Non-fixed net investment portfolio investment income
- Underwriting gain and other



# Generation of Top Tier Earnings

RETURN ON EQUITY vs. ESTIMATED COST OF EQUITY<sup>1</sup>



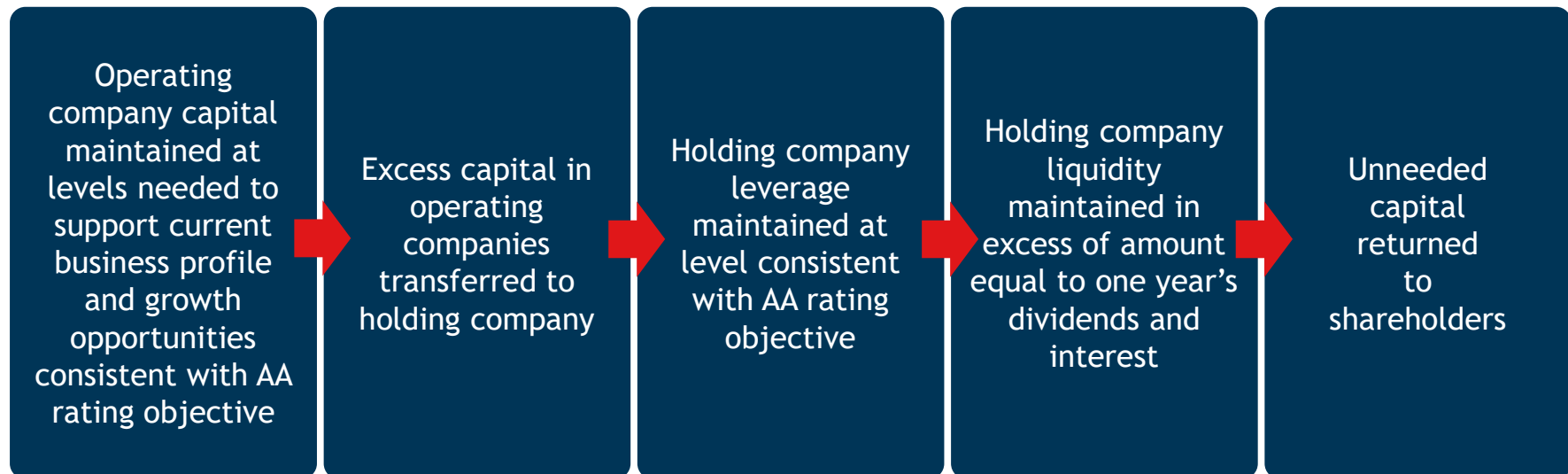
From January 1, 2006 through December 31, 2021, TRV's average annual ROE was approximately 12.3%

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

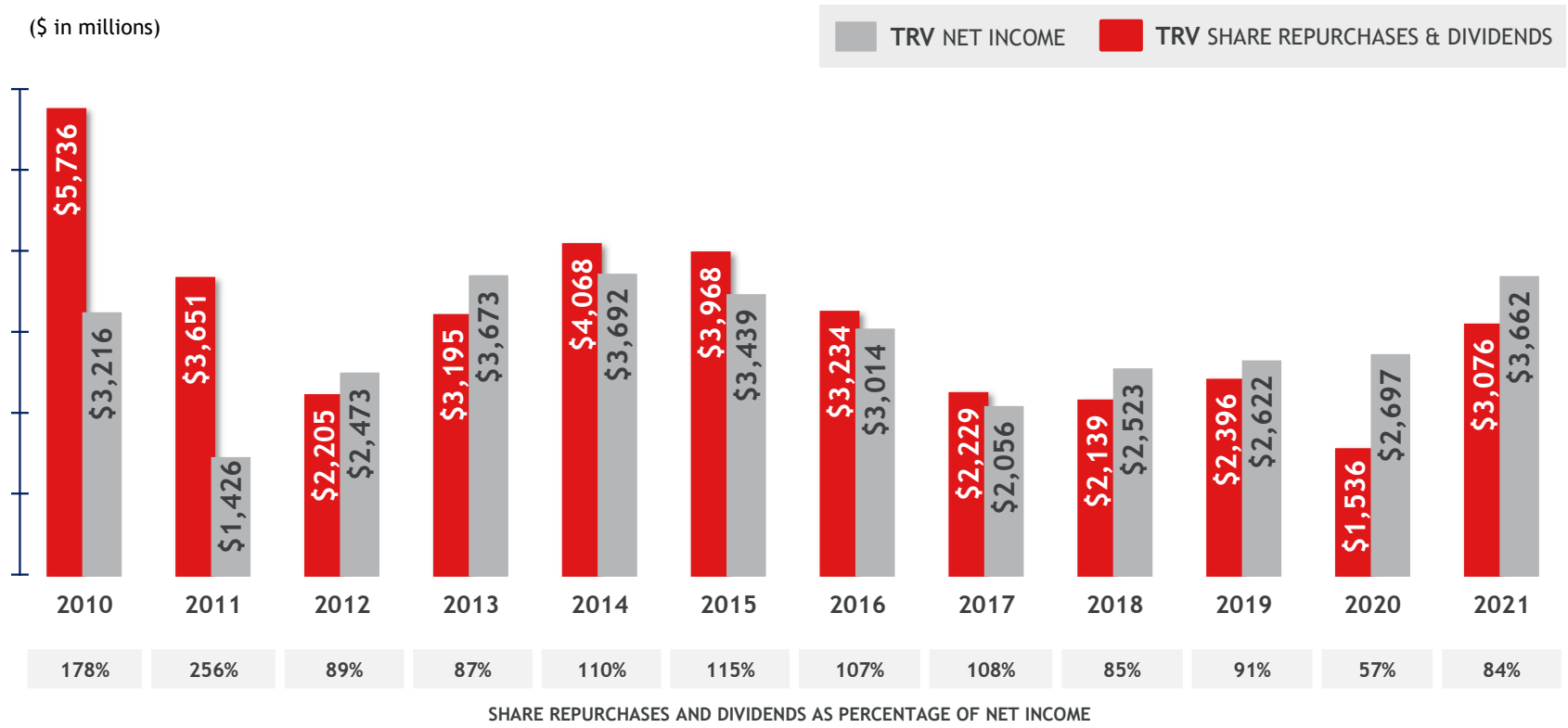




## Balanced Approach to Rightsizing Capital



# Excess Capital Returned to Shareholders

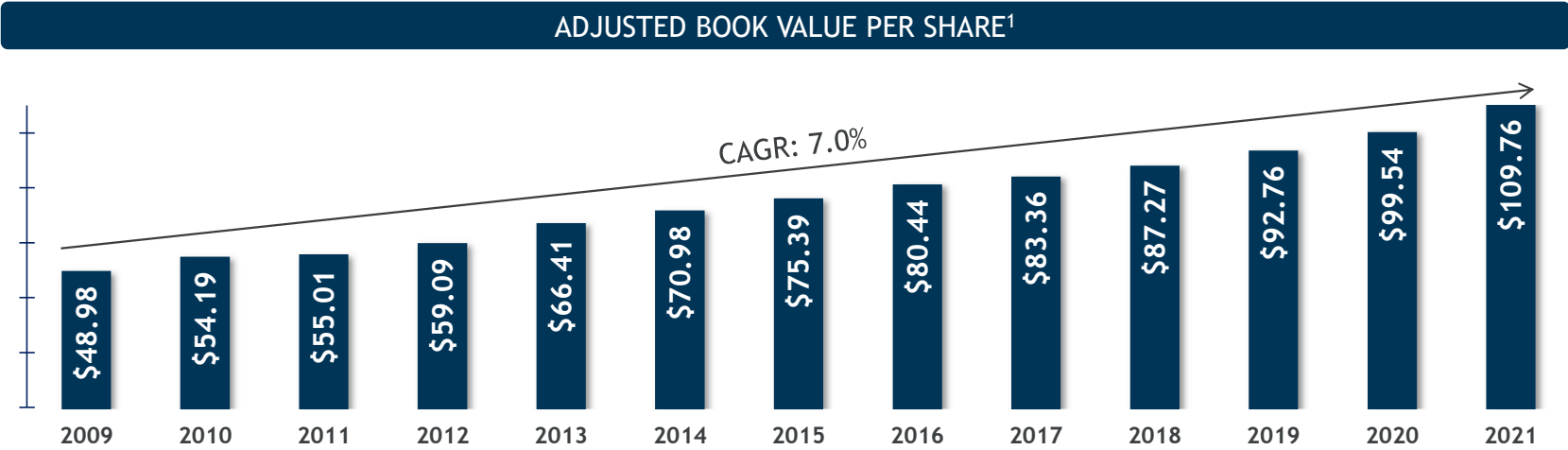
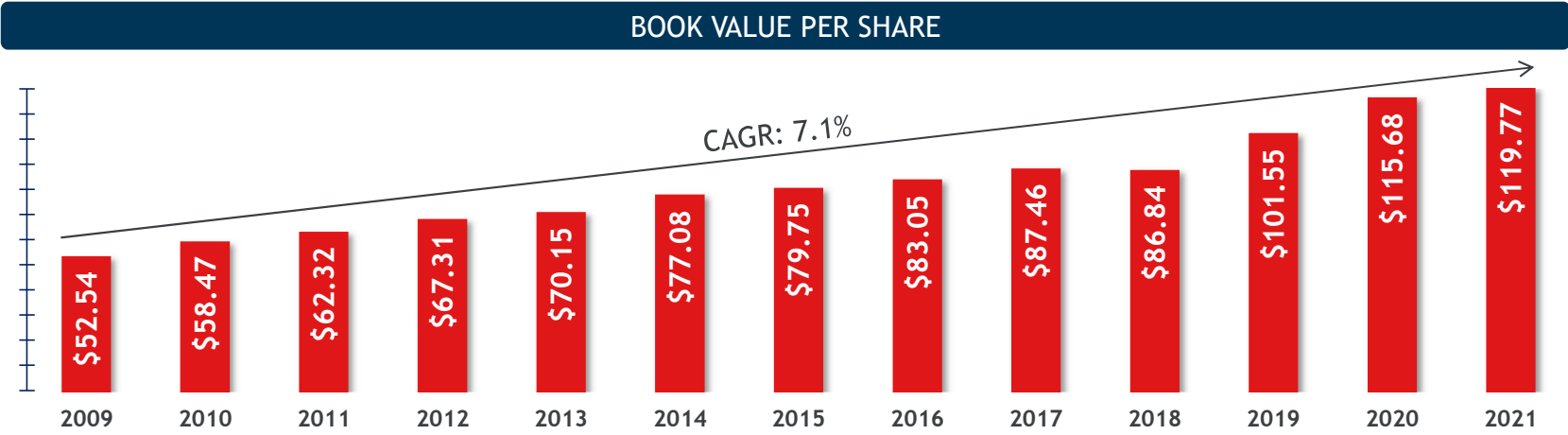


Since the initial share repurchase authorization granted by the Board on May 2, 2006, TRV has returned \$49.8 billion<sup>1</sup> in share repurchases and dividends or 165% of the market capitalization on that day

<sup>1</sup> Through December 31, 2021



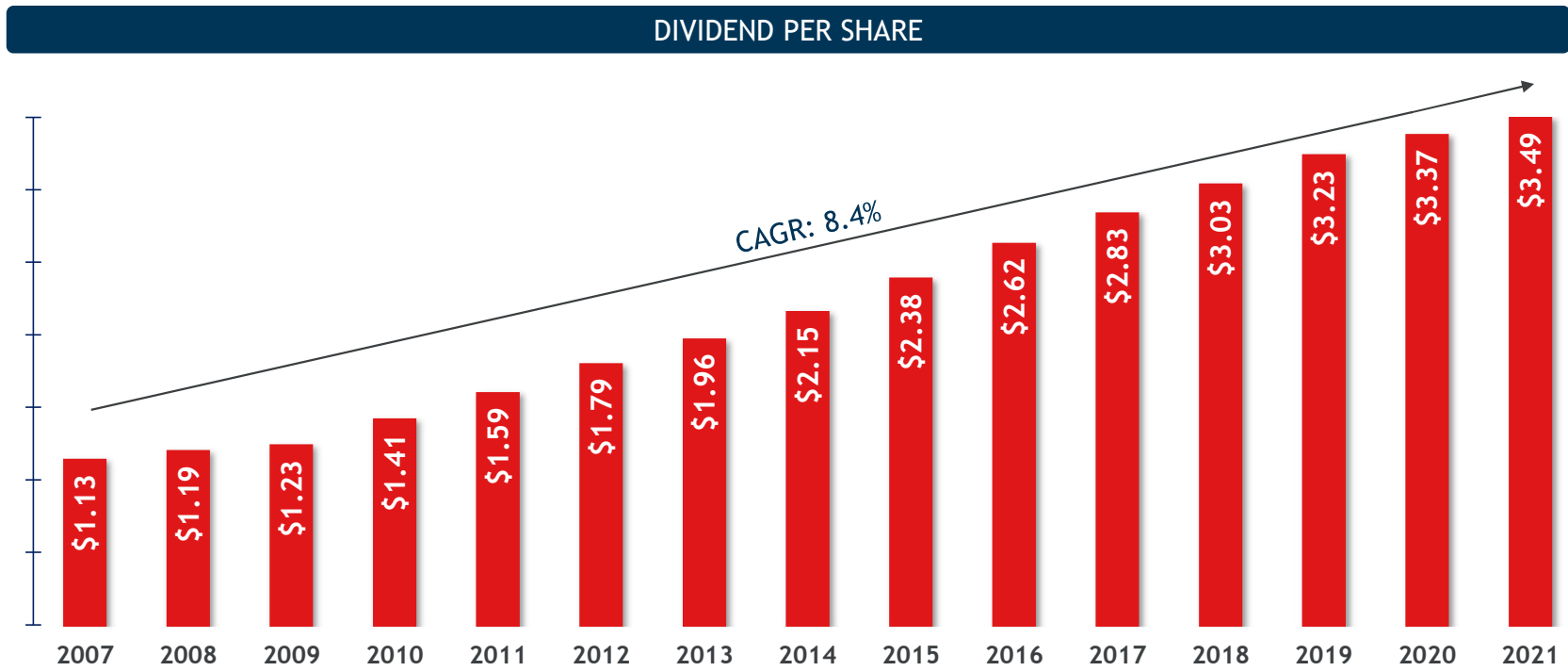
# Growing Book Value Per Share



<sup>1</sup> 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

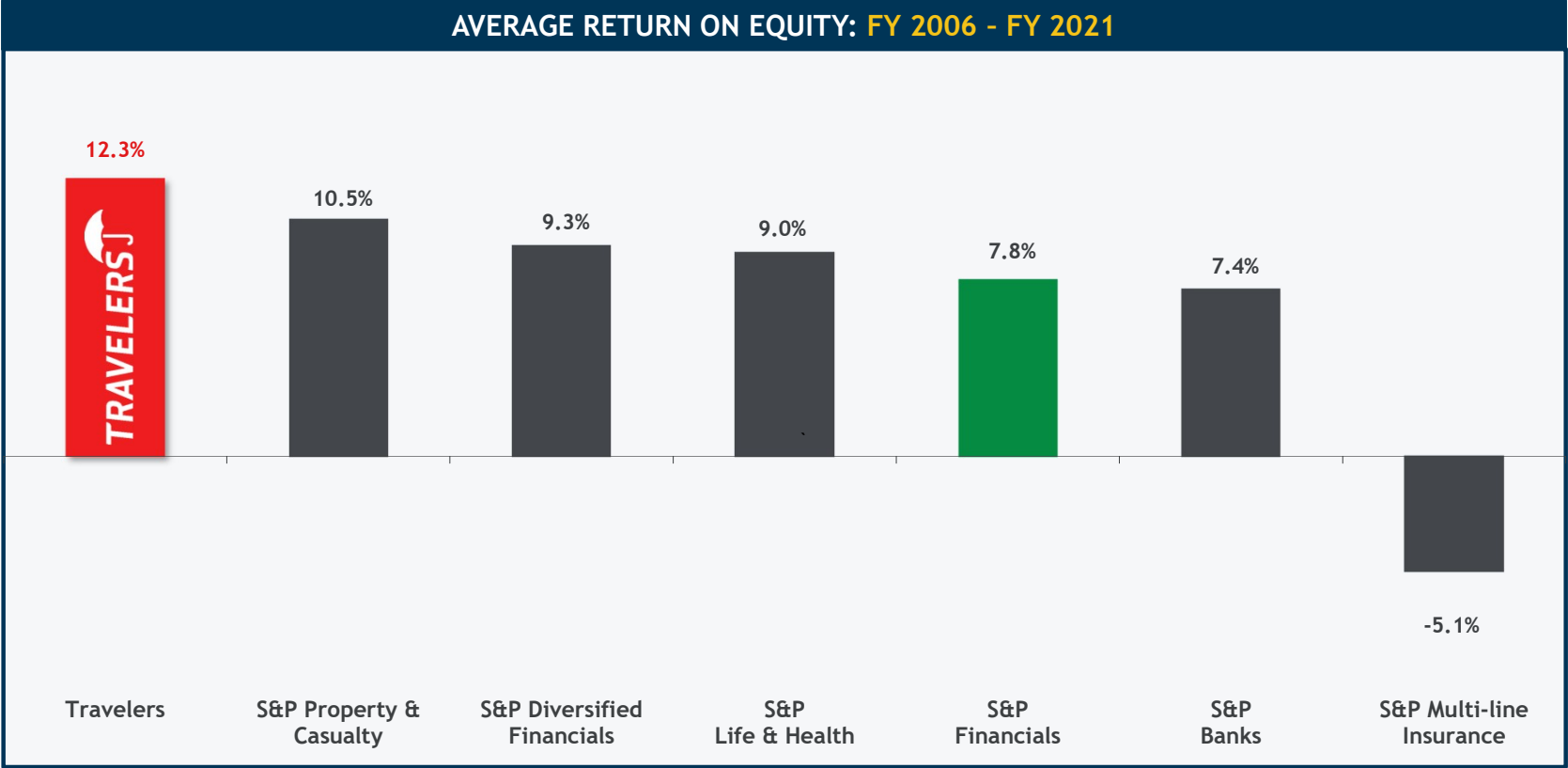


Travelers has paid cash dividends without interruption for 150 years; current dividend yield<sup>1</sup>: 2.2%

<sup>1</sup>As of market close on December 31, 2021



# 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:

 Business Strategy & Competitive Advantages	 Capital & Risk Management	 Climate Strategy	 Community	 Customer Experience	
 Data Privacy & Cybersecurity	 Disaster Preparedness & Response	 Diversity & Inclusion	 Eco-Efficient Operations	 Ethics & Values	 Governance Practices
 Human Capital Management	 Innovation	 Investment Management	 Public Policy	 Safety & Health	



# APPENDIX



# Consistent High Quality Investment Portfolio

(\$ in millions)

	December 31, 2021	December 31, 2020	December 31, 2019
<b>Total Investments</b>	<b>\$ 87,375</b>	<b>\$ 84,423</b>	<b>\$ 77,884</b>
Taxable fixed maturities	51%	48%	49%
Tax-exempt fixed maturities	38%	40%	38%
<b>Total fixed maturities</b>	<b>89%</b>	<b>88%</b>	<b>87%</b>
Short-term securities	4%	6%	7%
<b>Total fixed income</b>	<b>93%</b>	<b>94%</b>	<b>94%</b>
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%	- %	- %
<b>Total non-fixed income</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Fixed maturities data:</b>			
Average quality rating	Aa2, AA	Aa2, AA	Aa2, AA
Below investment grade	1.4%	1.8%	2.1%
Weighted average duration <sup>1</sup>	4.2	3.8	4.0

## INVESTMENT STRATEGY

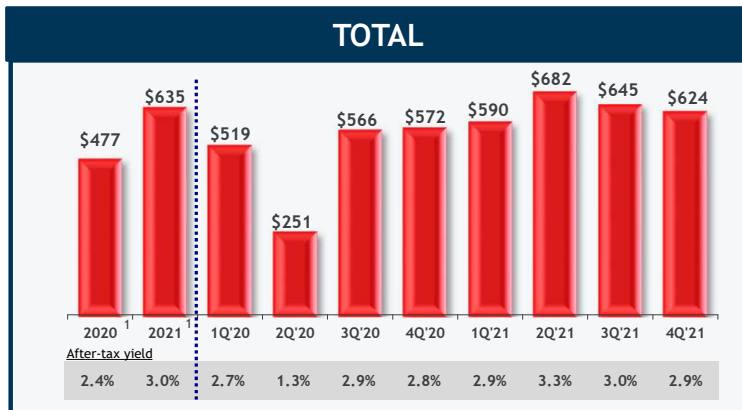
- On-going
  - Investment portfolio managed to support insurance operations
  - Portfolio structured to “defease” obligations to policyholders and other creditors and to achieve appropriate risk adjusted returns on capital
  - Disciplined, long-term risk/return analysis drives asset allocation decisions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





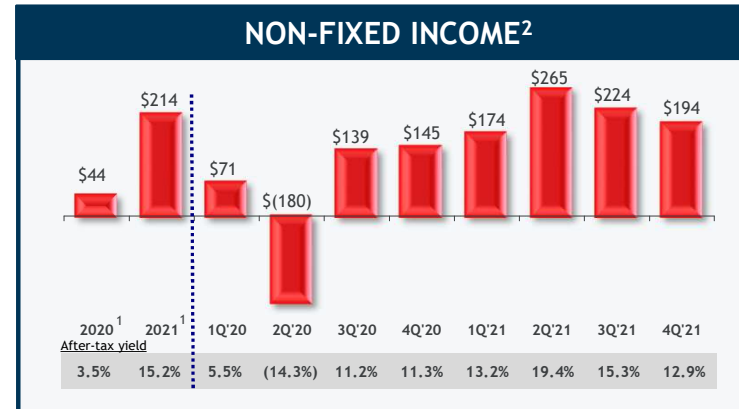
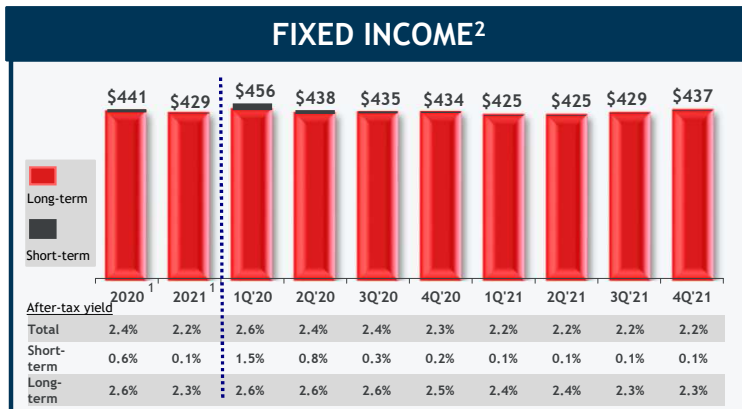
# Combined Net Investment Income - After-tax

(\$ in millions)



### Fourth Quarter 2021 vs. Prior Year Quarter Commentary

- Net investment income (NII) from the long-term fixed income portfolio was slightly higher reflecting growth in investments, partially offset by lower interest rates
- NII from the short-term fixed income portfolio decreased due to lower interest rates
- Net investment income from the non-fixed income portfolio increased due to higher private equity and real estate partnership returns (non-fixed income returns are generally reported on a one-quarter lagged basis)



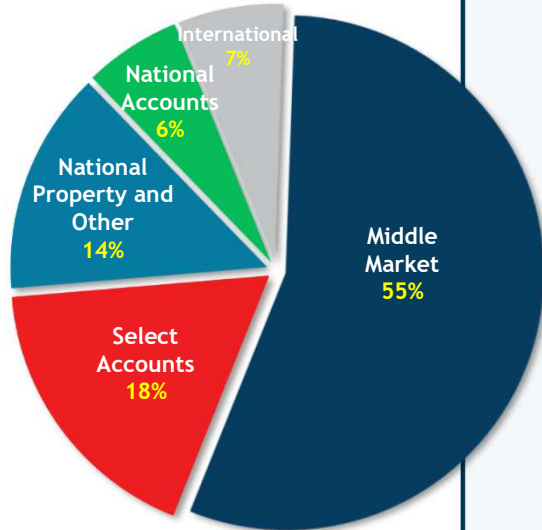
<sup>1</sup> 2020 and 2021 data represent quarterly average  
<sup>2</sup> Excludes investment expenses



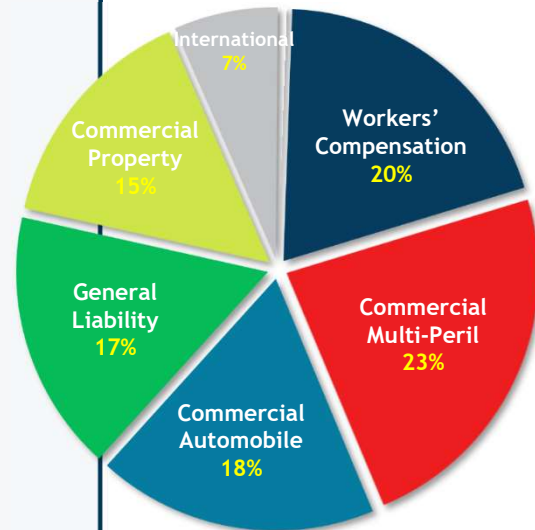
# Business Insurance

2021 Net Written Premiums: \$16.1 Billion

**BY MARKET**



**BY PRODUCT LINE**



**Domestic**

- Predominantly small and middle market insurer
- Leading writer in all five major product lines<sup>1</sup>
- #1 writer in workers' compensation<sup>1</sup> with industry leading profitability

**International**

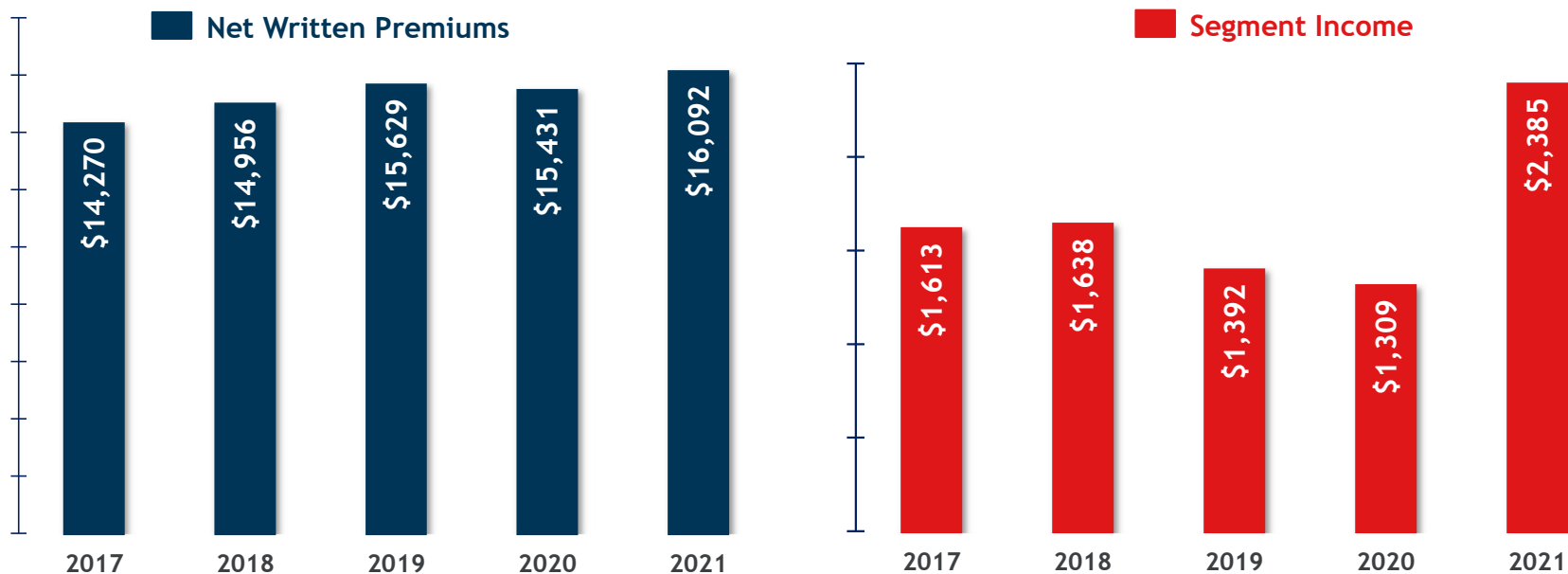
- Provide P&C Insurance and risk management services in Canada, the United Kingdom, the Republic of Ireland and throughout other parts of the world as a corporate member of Lloyd's
- Top 10 Canadian Writer

<sup>1</sup>Market share ranking source: S&P Global Market Intelligence. 2020 U.S. Statutory DWP



# Business Insurance

(\$ in millions)



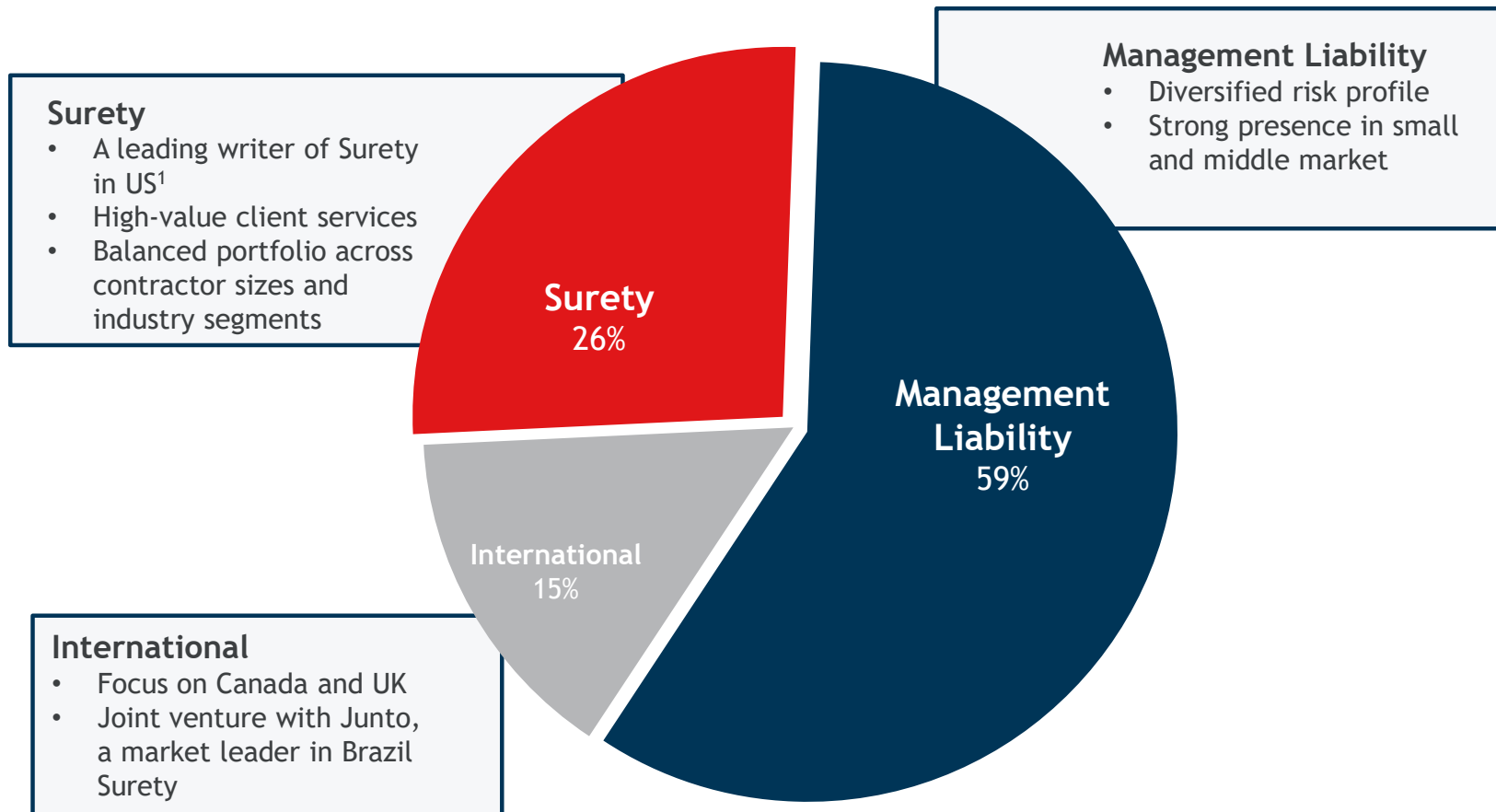
	2017	2018	2019	2020	2021
<b>Underlying Combined Ratio<sup>1</sup></b>	94.9 %	95.7 %	96.2 %	95.5 %	91.7 %
<b>Impact of:</b>					
Catastrophe losses	6.0 pts	4.4 pts	3.0 pts	4.2 pts	5.1 pts
Net (favorable) unfavorable prior year reserve development	(3.1) pts	(1.0) pts	1.7 pts	0.6 pts	(1.1) pts
<b>Combined Ratio</b>	<b>97.8 %</b>	<b>99.1 %</b>	<b>100.9 %</b>	<b>100.3 %</b>	<b>95.7 %</b>

<sup>1</sup> Excludes catastrophe losses and prior year reserve development

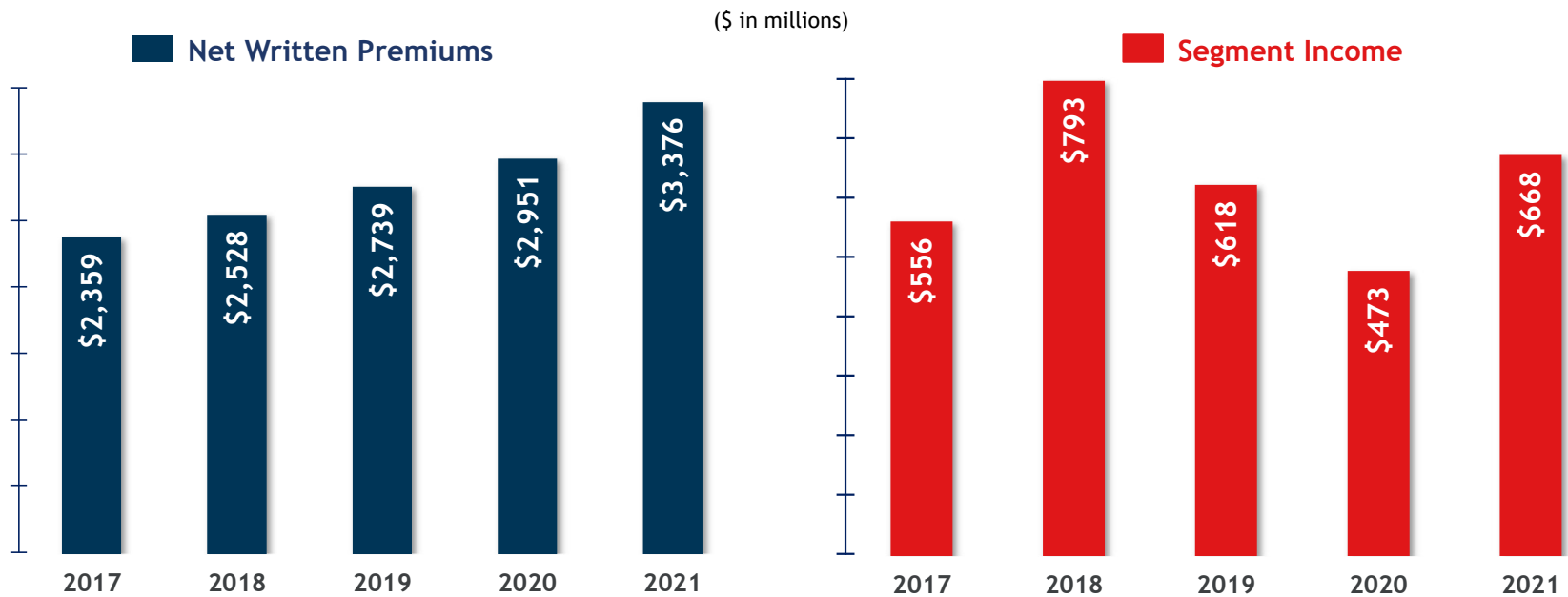


# Bond & Specialty Insurance

2021 Net Written Premiums: \$3.4 Billion



# Bond & Specialty Insurance



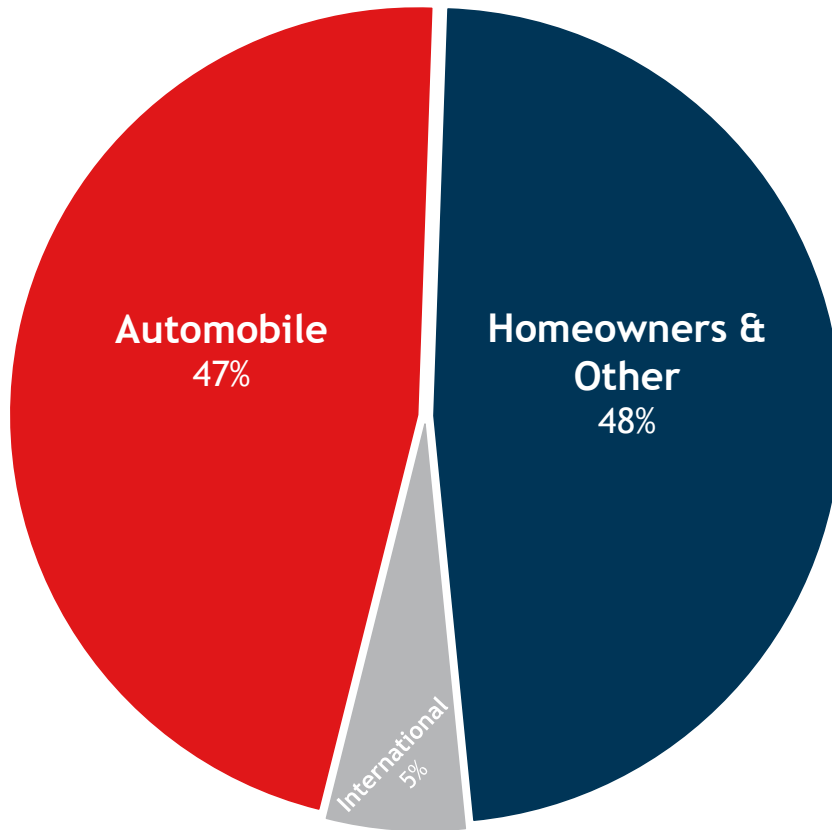
	2017	2018	2019	2020	2021
<b>Underlying Combined Ratio<sup>1</sup></b>	83.2 %	79.4 %	81.8 %	87.0 %	83.5 %
<b>Impact of:</b>					
Catastrophe losses	0.3 pts	0.6 pts	0.2 pts	0.4 pts	1.3 pts
Net (favorable) unfavorable prior year reserve development	(6.1) pts	(11.0) pts	(2.5) pts	- pts	(3.3) pts
<b>Combined Ratio</b>	<b>77.4 %</b>	<b>69.0 %</b>	<b>79.5 %</b>	<b>87.4 %</b>	<b>81.5 %</b>

<sup>1</sup> Excludes catastrophe losses and prior year reserve development



# Personal Insurance

2021 Net Written Premiums: \$12.5 Billion



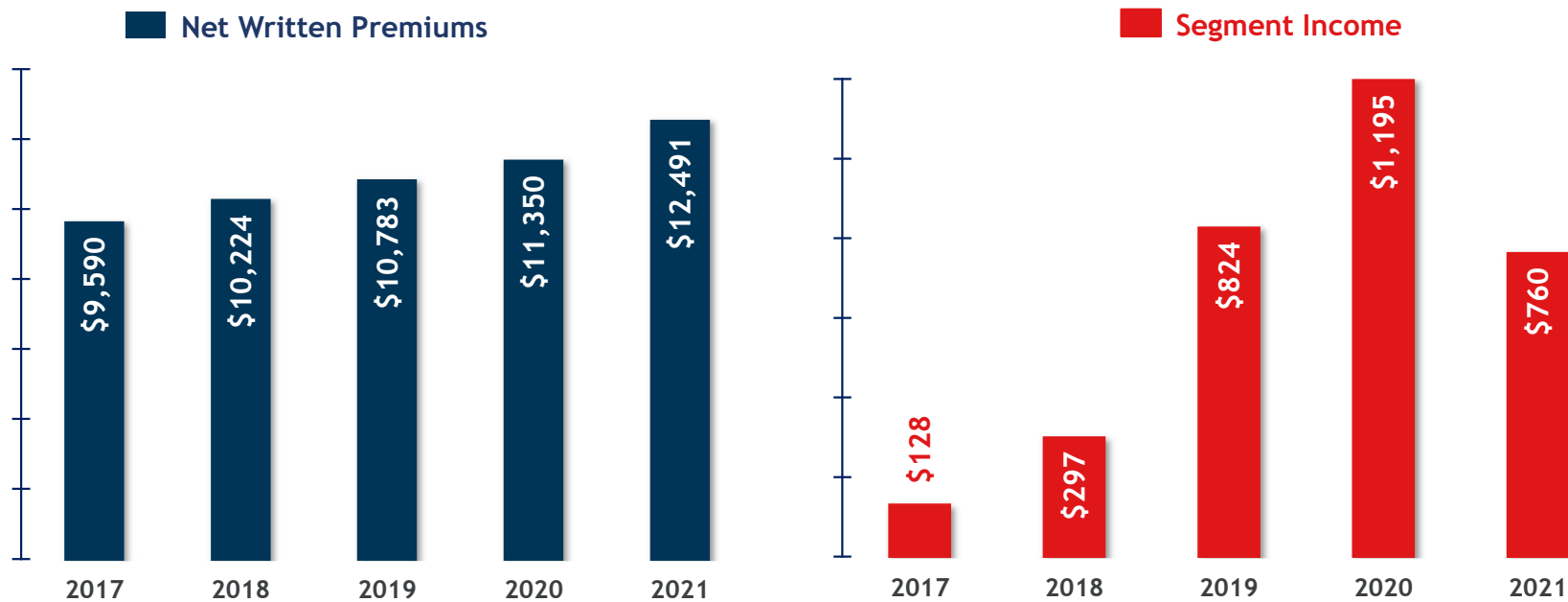
## Personal Insurance

- 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)



	2017	2018	2019	2020	2021
<b>Underlying Combined Ratio<sup>1</sup></b>	91.5 %	91.0 %	91.5 %	85.0 %	90.2 %
<b>Impact of:</b>					
Catastrophe losses	11.7 pts	10.7 pts	4.0 pts	8.8 pts	8.5 pts
Net favorable prior year reserve development	(0.1) pts	(1.1) pts	(1.3) pts	(4.1) pts	(2.2) pts
<b>Combined Ratio</b>	<b>103.1 %</b>	<b>100.6 %</b>	<b>94.2 %</b>	<b>89.7 %</b>	<b>96.5 %</b>

<sup>1</sup> 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, 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 reinsurances 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 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,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Forward Looking Statements” in our most recent annual report on Form 10-K filed with the SEC on February 17, 2022, 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](http://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](http://www.sec.gov)).

Copies of this presentation and the accompanying webcast are publicly available on the Travelers website ([www.travelers.com](http://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

(\$ in millions, after-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	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)	-
<b>Core income</b>	<b>\$ 1,289</b>	<b>\$ 1,262</b>	<b>\$ 3,522</b>	<b>\$ 2,686</b>

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

(\$ in millions, after-tax)	Twelve Months Ended December 31,																
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net income	\$ 3,662	\$ 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	3,662	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	(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)	-	-	-	129	-	-	-	-	-	-	-	-	-	-	-	-
<b>Core income</b>	<b>3,522</b>	<b>2,686</b>	<b>2,537</b>	<b>2,430</b>	<b>2,043</b>	<b>2,967</b>	<b>3,437</b>	<b>3,641</b>	<b>3,567</b>	<b>2,441</b>	<b>1,390</b>	<b>3,043</b>	<b>3,600</b>	<b>3,195</b>	<b>4,500</b>	<b>4,200</b>	<b>2,026</b>
Less: Preferred dividends	-	-	-	-	-	-	-	-	-	-	1	3	3	4	4	5	6
<b>Core income, less preferred dividends</b>	<b>\$ 3,522</b>	<b>\$ 2,686</b>	<b>\$ 2,537</b>	<b>\$ 2,430</b>	<b>\$ 2,043</b>	<b>\$ 2,967</b>	<b>\$ 3,437</b>	<b>\$ 3,641</b>	<b>\$ 3,567</b>	<b>\$ 2,441</b>	<b>\$ 1,389</b>	<b>\$ 3,040</b>	<b>\$ 3,597</b>	<b>\$ 3,191</b>	<b>\$ 4,496</b>	<b>\$ 4,195</b>	<b>\$ 2,020</b>

<sup>1</sup> Impact is recognized in the accounting period in which the change is enacted

<sup>2</sup> 2017 reflects impact of 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,		Twelve Months Ended December 31,	
	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)
<b>Total core income</b>	<b>\$ 1,289</b>	<b>\$ 1,262</b>	<b>\$ 3,522</b>	<b>\$ 2,686</b>

(\$ in millions, after-tax)	Twelve months ended December 31,				
	2021	2020	2019	2018	2017
Business Insurance	\$ 2,385	\$ 1,309	\$ 1,392	\$ 1,638	\$ 1,613
Bond & Specialty Insurance	668	473	618	793	556
Personal Insurance	760	1,195	824	297	128
Total segment income	3,813	2,977	2,834	2,728	2,297
Interest Expense and Other	(291)	(291)	(297)	(298)	(254)
<b>Total core income</b>	<b>\$ 3,522</b>	<b>\$ 2,686</b>	<b>\$ 2,537</b>	<b>\$ 2,430</b>	<b>\$ 2,043</b>



# 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

(\$ in millions)	As of December 31,																
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Shareholders' equity</b>	\$ 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
<b>Adjusted shareholders' equity</b>	\$ 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

(\$ in millions, after-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	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
<b>Return on equity</b>	<b>18.6%</b>	<b>18.4%</b>	<b>12.7%</b>	<b>10.0%</b>
Annualized core income	\$ 5,159	\$ 5,044	\$ 3,522	\$ 2,686
Adjusted average shareholders' equity	26,101	24,558	25,718	23,790
<b>Core return on equity</b>	<b>19.8%</b>	<b>20.5%</b>	<b>13.7%</b>	<b>11.3%</b>



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

## Calculation of Core Return on Equity

(\$ in millions)	Twelve Months Ended December 31,																
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Core income, less preferred dividends	\$ 3,522	\$ 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	25,718	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	13.7%	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 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.

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

(\$ in millions, pre-tax)	Three Months Ended December 31,		Twelve Months Ended December 31,					
	2021	2020	2021	2020	2019	2018	2017	2016
<b>Loss and loss adjustment expense ratio</b>								
Claims and claim adjustment expenses	\$ 4,819	\$ 4,341	\$ 20,298	\$ 19,123	\$ 19,133	\$ 18,291	\$ 17,467	\$ 15,070
Less:								
Policyholder dividends	10	10	41	41	47	52	51	48
Allocated fee income	37	41	150	161	174	154	162	168
<b>Loss ratio numerator</b>	<b>\$ 4,772</b>	<b>\$ 4,290</b>	<b>\$ 20,107</b>	<b>\$ 18,921</b>	<b>\$ 18,912</b>	<b>\$ 18,085</b>	<b>\$ 17,254</b>	<b>\$ 14,854</b>
<b>Underwriting expense ratio</b>								
Amortization of deferred acquisition costs	\$ 1,301	\$ 1,215	\$ 5,043	\$ 4,773	\$ 4,601	\$ 4,381	\$ 4,166	\$ 3,985
General and administrative expenses (G&A)	1,153	1,142	4,677	4,509	4,365	4,297	4,170	4,154
Less:								
Non-insurance G&A	75	67	303	234	201	159	77	31
Allocated fee income	63	65	252	268	285	278	285	290
Billing and policy fees and other	26	28	107	97	108	93	88	89
<b>Expense ratio numerator</b>	<b>\$ 2,290</b>	<b>\$ 2,197</b>	<b>\$ 9,058</b>	<b>\$ 8,683</b>	<b>\$ 8,372</b>	<b>\$ 8,148</b>	<b>\$ 7,886</b>	<b>\$ 7,729</b>
<b>Earned premium</b>	<b>\$ 8,024</b>	<b>\$ 7,480</b>	<b>\$ 30,855</b>	<b>\$ 29,044</b>	<b>\$ 28,272</b>	<b>\$ 27,059</b>	<b>\$ 25,683</b>	<b>\$ 24,534</b>
<b>Combined ratio (1)</b>								
Loss and loss adjustment expense ratio	59.5%	57.3%	65.1%	65.1%	66.9%	66.8%	67.2%	60.5%
Underwriting expense ratio	28.5%	29.4%	29.4%	29.9%	29.6%	30.1%	30.7%	31.5%
<b>Combined ratio</b>	<b>88.0%</b>	<b>86.7%</b>	<b>94.5%</b>	<b>95.0%</b>	<b>96.5%</b>	<b>96.9%</b>	<b>97.9%</b>	<b>92.0%</b>

(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, 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)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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
Less: 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
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	68	79
<b>Common shareholders' equity, excluding net unrealized investment gains (losses), net of tax</b>	<b>\$ 26,472</b>	<b>\$ 25,127</b>	<b>\$ 23,697</b>	<b>\$ 23,007</b>	<b>\$ 22,619</b>	<b>\$ 22,491</b>	<b>\$ 22,309</b>	<b>\$ 22,870</b>	<b>\$ 23,474</b>	<b>\$ 22,302</b>	<b>\$ 21,606</b>	<b>\$ 23,548</b>	<b>\$ 25,480</b>
Common shares outstanding	241.2	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	\$ 119.77	\$ 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	109.76	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)	2021 <sup>1</sup>	2020 <sup>1</sup>	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Pre-tax net investment income	\$ 758	\$ 557	\$ 743	\$ 771	\$ 818	\$ 701	\$ 677	\$ 671	\$ 268	\$ 611
Net investment income tax expense	123	80	119	126	136	111	105	105	17	92
<b>After-tax net investment income</b>	<b>\$ 635</b>	<b>\$ 477</b>	<b>\$ 624</b>	<b>\$ 645</b>	<b>\$ 682</b>	<b>\$ 590</b>	<b>\$ 572</b>	<b>\$ 566</b>	<b>\$ 251</b>	<b>\$ 519</b>

<sup>1</sup> 2021 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.





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