The Travelers Companies, Inc.

2020 Annual Report

Together or Apart. Still Right Here.

Financial Highlights

- $2.7 Billion **Core Income**
- 11.3% **Core Return on Equity**
- $29.7 Billion **Record Net Written Premiums**
- $1.5 Billion **Capital Returned to Shareholders**

At and for the year ended December 31. Dollar amounts in millions, except per share amounts.

	2020	2019	2018	2017	2016
Earned Premiums	**$ 29,044**	$ 28,272	$ 27,059	$ 25,683	$ 24,534
Total Revenues	**$ 31,981**	$ 31,581	$ 30,282	$ 28,902	$ 27,625
Core Income	**$ 2,686**	$ 2,537	$ 2,430	$ 2,043	$ 2,967
Net Income	**$ 2,697**	$ 2,622	$ 2,523	$ 2,056	$ 3,014
Net Income Per Diluted Share	**$ 10.52**	$ 9.92	$ 9.28	$ 7.33	$ 10.28
Total Investments	**$ 84,423**	$ 77,884	$ 72,278	$ 72,502	$ 70,488
Total Assets	**$ 116,764**	$110,122	$104,233	$103,483	$ 100,245
Shareholders' Equity	**$ 29,201**	$ 25,943	$ 22,894	$ 23,731	$ 23,221
Return On Equity	**10.0%**	10.5%	11.0%	8.7%	12.5%
Core Return On Equity	**11.3%**	10.9%	10.7%	9.0%	13.3%
Book Value Per Share	**$ 115.68**	$ 101.55	$ 86.84	$ 87.46	$ 83.05
Dividends Per Share	**$ 3.37**	$ 3.23	$ 3.03	$ 2.83	$ 2.62

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately $32 billion in 2020. For more information, visit Travelers.com.

Our ability to generate a significant profit in the current environment, while also investing in our business and returning substantial capital to our shareholders, speaks to the strength of our franchise and the value of our competitive advantages.

Alan D. Schnitzer
Chairman and Chief Executive Officer

To My Fellow Shareholders

At this time last year, the world was in a state of crisis. The only thing that seemed certain was that more disruption lay ahead.

One year later, the world is indeed changed. We mourn the lives and livelihoods lost to the pandemic. We miss the ability to gather and the feeling of connection that no virtual platform has been able to replicate. And yet, in the past year, we have also witnessed the tremendous generosity, creativity and resiliency of so many in our communities.

While no one could have predicted exactly how this past year would play out, as I wrote to you last year, I was confident that we were well positioned to weather the storm, just as we have weathered so many others. Today, I am pleased to report that not only have we weathered the storm, we are stronger by nearly every measure and remain on the course we set long before the pandemic hit. In 2020, we grew net written premiums to a record $29.7 billion and delivered net income of $2.7 billion, generating a core return on equity of 11.3%,* all up from the prior year. We also delivered record underlying underwriting income, a measure of our core business strength.

These results stand on their own as excellent, but they are particularly strong in the context of the extremely difficult economic and operating environment the industry faced in 2020: a global pandemic, a record high number of catastrophe events, record low interest rates and continuing challenges from the tort environment. And, importantly, we delivered these results while continuing to invest in the future and leveraging our scale and resources to pursue our ambitious innovation agenda.

In short, under difficult circumstances, we performed remarkably well. Our 2020 results reflect the importance of our strong underwriting culture, the benefit of our data and analytics, the dedication of our highly engaged and talented workforce, and the franchise value we bring to our customers and distribution partners. All that, together with our proven strategy and strong track record of execution, gives me confidence that we are well positioned to capitalize on opportunities in 2021 and beyond as the economy recovers.

With that, let me turn to how we performed in 2020.

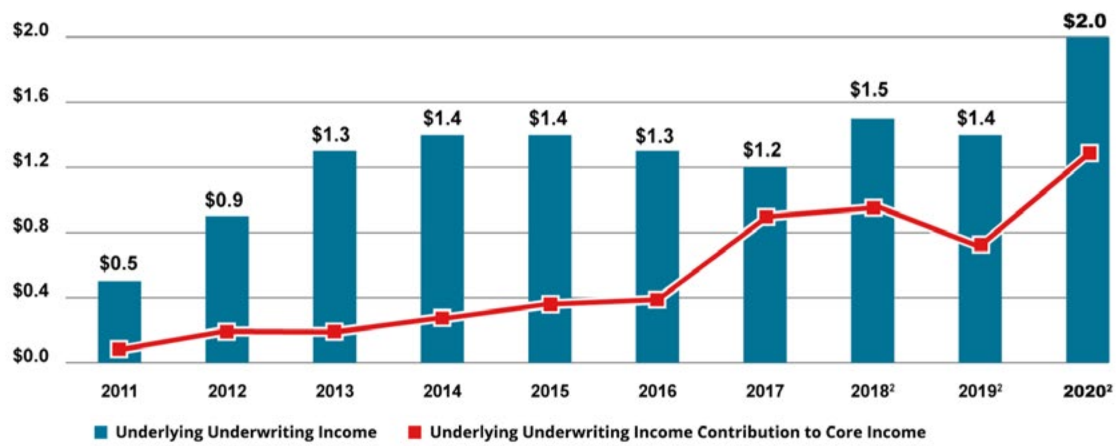
Our 2020 Results

Travelers generated $2.7 billion of core income, an increase of 6% over the prior year, and $10.48 of core income per diluted share, an increase of 9%. Core return on equity was 11.3%, a meaningful spread over the 10-year Treasury and our cost of equity.

* See "Additional Information" for a discussion and calculation of non-GAAP financial measures.

Underlying Underwriting Income[1]

($ in billions, after-tax)



[1] Excludes the impact of catastrophes and prior year reserve development.
[2] The results for 2018, 2019 and 2020 reflect lower tax rates associated with the Tax Cuts and Jobs Act of 2017.

Our earnings and strong balance sheet enabled us to grow book value per share by 14% and adjusted book value per share by 7%, after continuing to make important investments in our business and returning more than $1.5 billion of excess capital to our shareholders through dividends and share repurchases. Notably, this year marked the 15th consecutive year in which we increased our dividend. Our ability to generate a significant profit in the current environment, while also investing in our business and returning substantial capital to our shareholders, speaks to the strength of our franchise and the value of our competitive advantages.

This year, we saw once again the power of our underwriting excellence and the successful execution of our strategy to create attractive top-line opportunities and to improve productivity and efficiency. We generated record underlying underwriting income of $2.0 billion after-tax, driven by record earned premiums of $29.0 billion and a very strong underlying combined ratio of 90.7%. Importantly, as illustrated by the chart above, the contribution of underlying underwriting income to core income was the highest in more than a decade, an indication of the high quality of our earnings. In other words, when you adjust for the things over which we have less control, such as the substantial number of catastrophes, prior year reserve development and the low interest rate environment, we delivered operating performance that far exceeds that of prior years. An important contributor to our record underlying underwriting income this year was our continued strategic focus on improving productivity and efficiency. Our strategy to grow the top line at attractive returns and improve productivity and efficiency is particularly important in the current low interest rate environment.

Underwriting Excellence

One critical component of our ability to deliver exceptional returns over time is our granular approach to underwriting. In our commercial businesses, that means execution, including the allocation of capital, on an account-by-account or class-by-class basis. In personal lines, that means a very high degree of account segmentation and the allocation of capital by product and geography. With that and our advanced data and analytics, we select the risks we write and price our products deliberately with our targeted return in mind.

We saw the benefits of this disciplined approach again this year. Perhaps the most obvious example was our direct pandemic-related underwriting losses, which were modest on an absolute basis and low relative to the rest of the industry.

However, the pandemic was not the only major event of 2020 for which we were well positioned. We estimate that due to the underwriting actions we took to manage our exposure to wildfires over the past several years in the highest risk areas of California, our losses for the five largest wildfire loss events in California this year were reduced by more than one third and were significantly lower than our market share in the affected areas. Similarly, we actively manage and maintain a disciplined approach to coastal underwriting, including thoughtful risk selection, flood sub-limits and coastal deductibles. As a result, our share of industrywide 2020 hurricane peril losses was significantly lower than our market share in the affected areas. We are also pleased that when we look at our overall property catastrophe losses over the past five years, our share of property catastrophe losses relative to total property catastrophe losses for the domestic property and casualty industry has declined significantly and has been meaningfully lower than our corresponding market share.

Underlying these impressive underwriting results is a culture that understands how to balance the art and science of decision making based on data and analytics. This culture alone is a competitive advantage, and one that we believe is hard to replicate. As I have said before, our underwriting expertise is a hallmark of our success, and evaluating risk and reward is at the heart of what we do.

Resiliency in the Face of Economic Headwinds

We remained committed to our underwriting fundamentals last year as we adapted to changes in the business and economic environment and delivered products, services and capabilities that our customers, agents and brokers value. As a property and casualty insurer, we insure the output of the economy, and, accordingly, changes in economic activity have a direct impact on our top line. We are pleased that in a year of historic economic disruption, we grew net written premiums by 2% to a record $29.7 billion. These results reflect the strength of our value proposition and the success of our marketplace strategies. Across the enterprise, we achieved significant rate gains where needed and strengthened terms and conditions where warranted, while maintaining historically high retentions.

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This marketplace execution is the result of effective leadership by our business and functional leaders and very strong performance by our underwriters in the field. As always, we are actively managing all levers of profitability available to us, including risk selection, mix of business, claim and expense initiatives, volume, reinsurance, terms and conditions, and, of course, price. We price our products with a return objective in mind – we are not passive rate takers. Our deliberate pricing strategy is also benefiting from a number of industrywide factors putting upward pressure on prices, including increased weather-related volatility, historically low interest rates and a growing recognition of higher loss trend in the liability lines. We are encouraged by the pricing environment and will continue to leverage the power of our franchise to meet our return objectives.

Importantly, we also maintained an expense ratio below 30% for 2020, even after the impacts of the pandemic, such as the premium refunds we provided to our Personal Insurance auto customers. This reflects the continued effective execution of our strategy to improve productivity and efficiency.

Investment Expertise

Much like our underwriting strategy, successfully balancing risk and reward is at the heart of our well-defined and consistent investment philosophy. Our investment portfolio is managed first and foremost to support our insurance operations and, accordingly, is positioned to meet our obligations to policyholders under a wide range of conditions. With this in mind, we emphasize risk-adjusted returns and credit quality rather than reaching for yield that is not commensurate with the underlying risk.

Our asset allocation is designed so that the predictable stream of investment income from our fixed income portfolio will provide a firm and reliable foundation for our business. That is exactly what we saw in 2020, and that is our investment philosophy at work. Our high-quality investment portfolio generated strong net investment income of $1.9 billion after-tax in 2020 – an impressive result given the impact of the disruption in the global financial markets on our alternative investment portfolio and the effect of the record low interest rates on our fixed income portfolio.

Profitable Growth

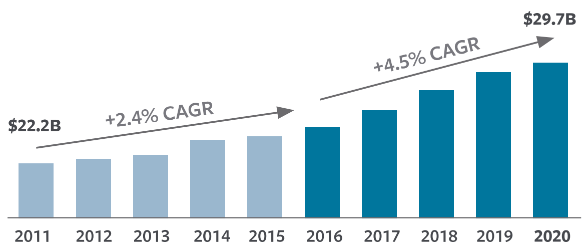
Now that I've shared our 2020 results, let me take a moment to put them into a broader context. We remain steadfast in our view that return on equity over time is the right way to measure our success and that any commitment to deliver an industry-leading return on equity over time also requires a strategy to grow over time. To that end, several years ago, we laid out a strategy to achieve profitable growth in the context of the forces of change we have previously identified as impacting our industry – namely, changing consumer expectations, emerging technology trends, more sophisticated data and analytics, and evolving distribution models. In light of these trends, we have established key innovation priorities and are investing in capabilities consistent with those priorities.

We successfully executed on this strategy again in 2020 despite the challenging economic and operating environment. As illustrated by the accompanying charts, since 2016, we have grown net written premiums at a compound annual rate of 4.5%, substantially outpacing both gross domestic product growth over the same period and our own growth rate of 2.4% in the prior years of the decade.

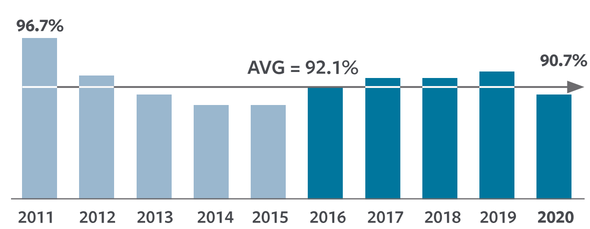
We have accomplished this growth while maintaining a stable underlying underwriting margin. In other words, we have not grown by underpricing our products or changing our risk profile. The growth has come organically from customer segments, products, geographies and producers that we know well. Over this same period, through our ongoing and relentless focus on optimizing productivity and efficiency, we have also improved our expense ratio by about two points compared to the run rate from earlier in the decade. The results of these efforts are significantly higher underlying underwriting income, meaningfully higher cash flow from operations and double-digit growth in invested assets. Those results have contributed to our ultimate objective of creating shareholder value through industry-leading return on equity over time. Our core return on equity has increased in each of the last three years and averaged 11% over that period, even after bearing the impact of the pandemic, significant catastrophe and non-catastrophe weather-related losses, a meaningful increase in social inflation and historically low interest rates.

In short, our performance this year and over recent years is the result of a sound strategy, excellence in execution and the successful achievement of our strategic objectives.

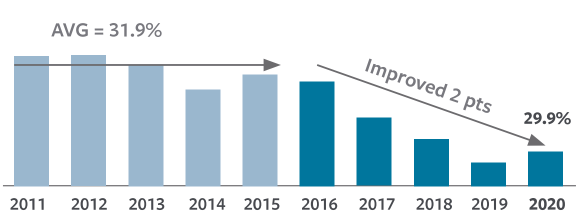
Accelerating Net Written Premium Growth



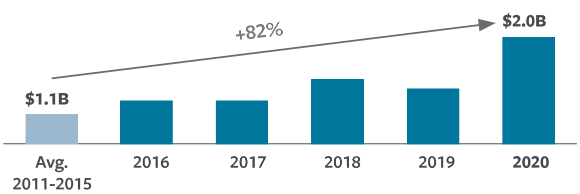
Stable Underlying Combined Ratio[1]



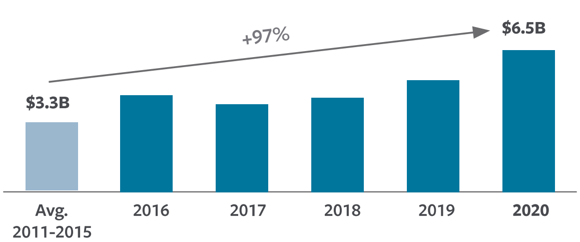
Improving Expense Ratio



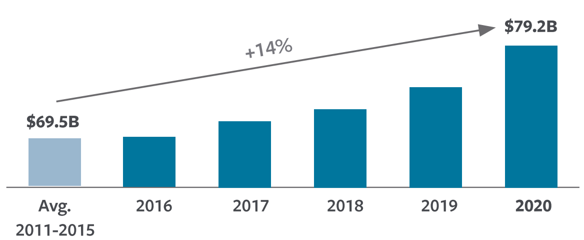
Higher Underlying Underwriting Income[1]



Higher Cash Flow From Operations



Growing Invested Assets[2]



[1] Excludes the impact of catastrophes and prior year reserve development.
[2] Invested assets excludes net unrealized investment gains (losses).

Broad Product Breadth and Specialization

Our Diversified Businesses

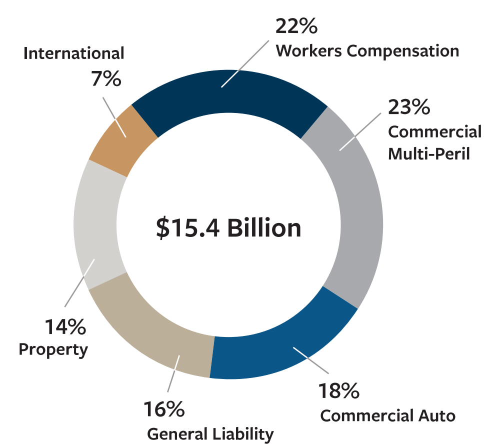
We engage broadly across nine major lines of insurance through our three business segments – Business Insurance, Bond & Specialty Insurance and Personal Insurance. Our portfolio is balanced across these lines of business and further diversified by geography and customer size and type. Each of our businesses is high performing and contributed meaningfully to our 2020 performance.

2020 Net Written Premiums

Business Insurance

Business Insurance produced a solid underlying combined ratio of 95.5%, an improvement of 70 basis points as compared to 2019. Despite the difficult economic and operating environment, our marketplace execution was excellent, and we remain pleased with the resilience of our business. In our domestic business, we achieved record renewal rate of 7.4%, with meaningful increases in all product lines except workers compensation, where profitability has been strong. Importantly, these rate levels were achieved while maintaining historically high retentions.

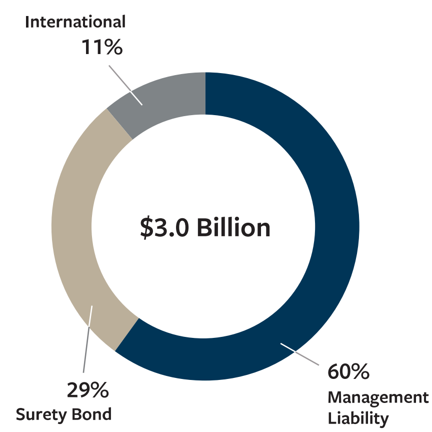
Business Insurance



Bond & Specialty Insurance

Bond & Specialty Insurance had another strong year, posting an underlying combined ratio of 87.0%. The segment delivered 8% net written premium growth, largely driven by record Management Liability renewal premium change, with retention near historical highs. These resilient results in light of the difficult economic and operating environment are just the latest example of this segment's remarkable performance over time.

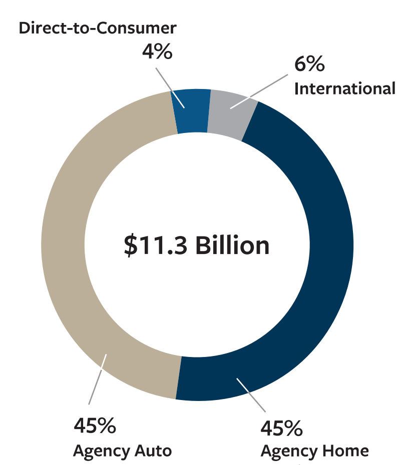
Bond & Specialty Insurance



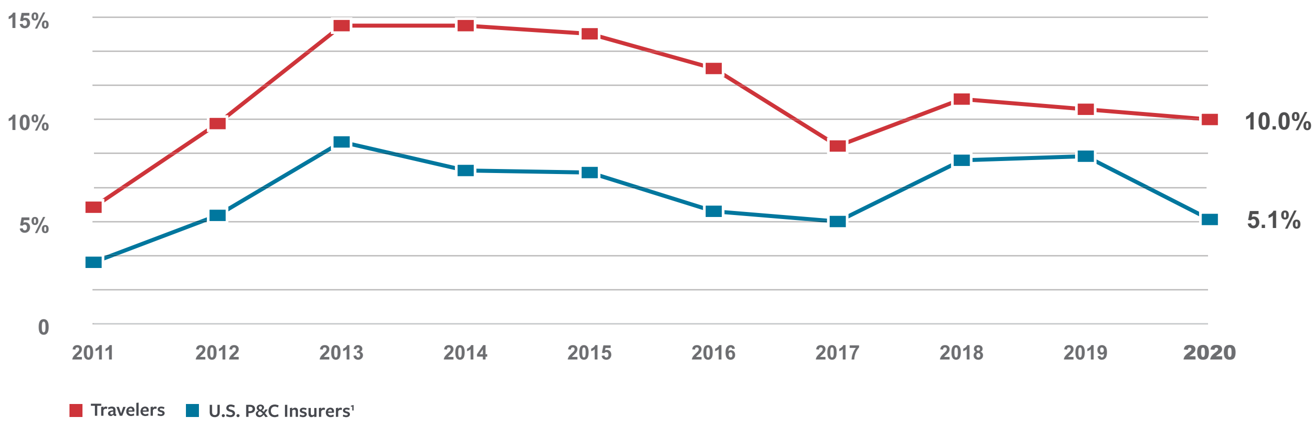
Personal Insurance

Personal Insurance results were exceptional in 2020, with record levels of both segment income of $1.2 billion and net written premiums of $11.3 billion. Net written premiums grew 5% in 2020, driven by domestic retention of 85%, renewal premium change of 5% and a 15% increase in new business. Personal Insurance ended the year with record domestic policies-in-force. Underlying results were very strong, with an underlying combined ratio of 85.0%, reflecting significant improvement across products (automobile and homeowners) and geographies (United States and Canada).

Personal Insurance



Return on Equity



[1] 2020 forecast: © 2020 Conning, Inc., as published in Conning's Property-Casualty Forecast & Analysis by Line of Insurance, used with permission. Historical data from the Insurance Information Institute (III), including the 2021 III Insurance Fact Book.

Our Claim Excellence

Our claim-handling ability remains a crown jewel of our organization – it is both at the heart of our promise to our customers and a significant competitive advantage.

Our highly sophisticated claim model enables us to handle essentially 100% of our claims under nearly any foreseeable circumstance without resorting to third-party claim handlers, which produces a better experience for our customers and a more efficient outcome for us. This year was no different. Despite the challenges caused by the pandemic, we effectively responded to a record number of catastrophe events and a more than 50% increase in catastrophe claim volume as compared to the prior year. We met our objective of closing more than 90% of all claims arising out of catastrophe events within 30 days – an exceptional result given both the volume of claims and the logistical challenges posed by the pandemic.

Our claim-handling ability remains a crown jewel of our organization – it is both at the heart of our promise to our customers and a significant competitive advantage.

We also accelerated our digital transformation this year to meet customer demand for virtual claim handling during the pandemic and beyond. Consistent with our innovation priorities, our Claim organization has made significant investments in digital capabilities over the past several years. This has enabled us to seamlessly serve our customers since the start of the pandemic and take advantage of the rapid acceleration of digital adoption during the crisis, all while meeting our objective of paying what we owe – no more and no less – quickly and efficiently. This year, by leveraging our state-of-the-art digital capabilities, we handled 40% more auto appraisals and wind/hail claims and 70% more water claims virtually without the need for a live inspection, as compared to pre-pandemic levels. In addition, we expanded our workers compensation telehealth capabilities throughout all stages of the recovery journey, with usage of our telemedicine capabilities up dramatically year-over-year. All this means a better experience for our customers and a more efficient outcome for us – a result that will pay dividends for years to come.

Consistent and Successful Long-Term Financial Strategy Delivers Shareholder Value

It is important to consider our results in the context of what we are ultimately trying to achieve. At Travelers, our simple and unwavering mission for creating shareholder value is to:

- Deliver superior returns on equity by leveraging our competitive advantages;
- Generate earnings and capital substantially in excess of our growth needs; and
- Thoughtfully rightsize capital and grow book value per share over time.

The results we deliver are due to our deliberate and consistent approach to creating shareholder value. We have been clear for many years that one of our crucial responsibilities is to produce an appropriate return on equity for our shareholders. This has meant developing and executing financial and operational plans consistent with our goal of achieving superior returns, which we defined many years ago as a mid-teens core return on equity over time. We emphasize that the objective is measured over time because we recognize that interest rates, reserve development and weather, among other factors, impact our results from year to year, and that there are years – or longer periods – and environments in which a mid-teens return is not attainable. In that regard, we established the mid-teens goal at a time when the 10-year Treasury was yielding around 5%, and in that environment, a mid-teens return was industry leading. As we have said before, our ability to achieve a mid-teens return over time going forward will depend on interest rates returning to more normal levels by historical standards. In any event, we always seek to deliver industry-leading returns over time.

Our 2020 return on equity of 10.0% and core return on equity of 11.3% again meaningfully exceeded the average return on equity for the domestic property and casualty industry of 5.1%, according to estimates from Conning, Inc., an insurance asset management firm. As shown in the chart on page 6, our return on equity has significantly outperformed the average return on equity for the industry in each of the past 10 years.

Importantly, over this 10-year period, our return on equity has also been less volatile than that of others in the property and casualty industry. The level and consistency of our return on equity over time reflect the value of our competitive advantages and the discipline with which we run our business.

Our Financial Strength

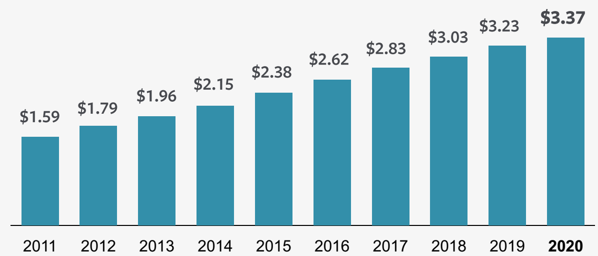
Once again, we ended the year extremely well capitalized, with no maturing long-term debt over the next five years and all our financial strength indicators at or better than our target levels, including a debt-to-capital ratio of 18.3% (20.7% excluding after-tax net unrealized investment gains included in shareholders' equity) – well within our target range of 15% to 25%. Our strong balance sheet and our consistent returns over time have enabled us to grow book value per share and adjusted book value per share at a compound annual rate of 7% and 6%, respectively, over the last 10 years.

Adjusted Book Value Per Share[1]

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

At the same time, we have returned a significant amount of excess capital to our shareholders through dividends and share repurchases. Over this 10-year period, we increased our dividend each year and grew dividends per share at an average annual rate of 9%.

Dividends Per Share

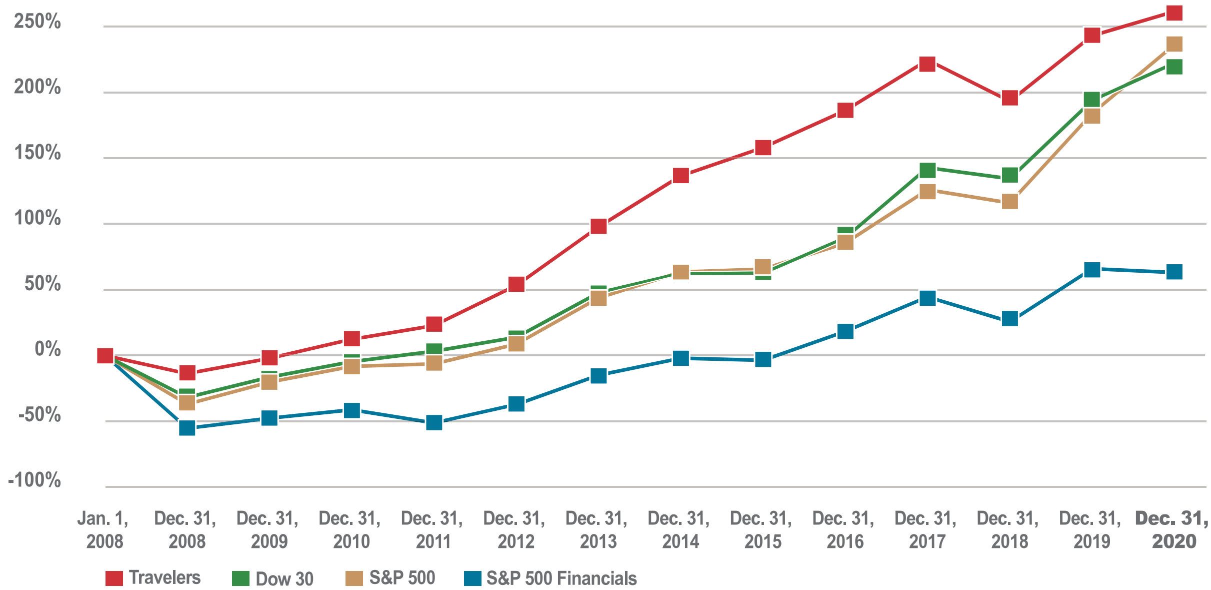


Notably, since we began our share repurchase program in 2006, we have returned approximately $47 billion of excess capital to our shareholders, including through $36 billion of share repurchases, which is well in excess of the market capitalization of the company at that time. We repurchased those shares at an average price per share of $68.00.

Our capital management strategy has been an important driver of shareholder value creation over time. Our first objective for the capital we generate is to reinvest it in our business – organically and inorganically – to create shareholder value. For example, as we continue to grow our premium volumes, as we have for the past few years, we will retain more capital to support that growth. Also, we continue to invest in everything from talent to technology to further our innovation agenda and advance our strategic objectives.

Having said that, we are disciplined stewards of our shareholders' capital. To the extent that we generate capital that we cannot reinvest consistent with our objective of generating industry-leading returns over time, we will manage it the same way we have for more than a decade – by returning it to our shareholders through dividends and share repurchases. By returning excess capital to our investors, we give them the ability to allocate their investment dollars as they see fit, including by investing in companies with different growth profiles or capital needs, thereby efficiently allocating capital across the economy.

Total Return to Shareholders[1]



[1] Represents the change in stock price plus the cumulative amount of dividends, assuming dividend reinvestment. For each year on the chart, total return is calculated with January 1, 2008, as the starting point and December 31 of the relevant year as the ending point. Source: Bloomberg.

Total Shareholder Return

Ultimately, it is the success of our strategy – with all its component parts – that drives our total return to shareholders over time. These unprecedented times are an important reminder that we have a well-established track record of managing the company to create value over the long term, through periods of weather volatility; through anticipated and unanticipated developments impacting loss trends; and through both foreseeable and unforeseeable economic cycles and more extreme economic conditions. With that in mind, the graph above compares our returns since the 2008 financial crisis to the returns for the Dow 30, the S&P 500 and the S&P 500 Financials.

We are as confident as ever that executing on our long-term financial strategy, managing Travelers with an over-time discipline and continuing to invest in our competitive advantages is the right approach for building on Travelers' outstanding record.

Innovating Through the Pandemic

The past year has demonstrated the value of the ***Perform and Transform*** agenda we have pursued over the past few years – it has enabled us to adapt to, and execute through, extraordinary circumstances. The significant technology and operational investments we have made were crucial to our ability to address the challenges of the pandemic while simultaneously delivering strong financial results for our shareholders.

As the post-pandemic world comes into focus, we will continue to leverage our scale and resources to invest and innovate for the future. We are not innovating for the sake of innovation but rather in service of a clear vision to be:

the undeniable choice for the customer and an indispensable partner for our agents and brokers.

In support of that vision, our innovation agenda is focused on three priorities:

- Extending our advantage in risk expertise;
- Providing great experiences for our customers, agents and brokers and employees; and
- Optimizing our productivity and efficiency.

For example, we are methodically digitizing virtually every aspect of the value chain, while at the same time enhancing our advanced analytics. We are deploying advanced capabilities in predictive modeling, artificial intelligence and third-party data to enable our field organization to make better risk selection, underwriting and pricing decisions at the point of sale. And we are delivering sophisticated, total-account solutions through streamlined agent and customer experiences. Additionally, as the digital adoption by individuals and businesses accelerates, we are advancing the rollout of our virtual and end-to-end claim service tools.

We have the talent and expertise to navigate a rapidly evolving landscape, and we have the scale and resources necessary to innovate and invest for tomorrow while also continuing to deliver industry-leading results today. We believe the winners in our industry will be those with deep domain expertise that can continue to deliver industry-leading results while innovating successfully on top of a foundation of excellence. The value of our deep domain expertise cannot be overstated as the starting point for innovation.

The Travelers Promise in Action

Travelers' sustainability – our ability to maintain our industry-leading position and maximize shareholder value over the long term – depends on the successful execution of our financial strategy as outlined above. That is the flywheel that sets everything we do in motion. But it is only one component of our comprehensive approach to value creation over time.

The other, as I have shared with you in recent years, is our commitment to take care of our customers, our communities and our employees – or, as we refer to it, the Travelers Promise. We view the Travelers Promise as inextricably linked with our mission to create long-term shareholder value. Only by faithfully keeping the Travelers Promise will we earn the support of key stakeholders essential to creating shareholder value. And only by successfully creating shareholder value will we earn the resources we need to keep the Travelers Promise.

This past year, even as our employees navigated significant challenges in their own lives, they stepped up and continued to be there for all our stakeholders in so many ways. I would like to share with you just a few examples of the Travelers Promise in action.

Being There for Our Customers, Agents and Brokers

At the heart of who we are is our promise to take care of our customers. In the best of times, our products and services provide our customers with the security to grow and thrive – to buy another truck for a growing business or build an addition to a house for a growing family. When disaster strikes, that promise can mean replacing a totaled vehicle or making sure a roof is repaired in time for the holidays. In every case, a Travelers policy means a trusted relationship that can last years, even generations, and that brings value to our customers, our enterprise and our shareholders.

The pandemic and its accompanying challenges gave us an opportunity to deliver on our promise to our customers in new and meaningful ways. To ease the financial burden on individuals and businesses, we provided billing relief for all our U.S. customers by temporarily suspending cancellations for nonpayment. Though that initial relief period has ended, we continue to work with customers who are facing financial hardship on an individual basis to offer bespoke solutions. In addition, we returned nearly $250 million in premiums to our customers by providing Personal Insurance auto customers with a refund to account for fewer miles driven.

When you manage the company for the next quarter century, not just for the next quarter, supporting your most valued partners in a crisis is simply good business.

To support our independent agent and broker partners – many of whom are small business owners – and help soften the liquidity impacts on those businesses from the pandemic, we accelerated more than $100 million of commission payments to eligible agents and brokers. For us, this was an easy call. When you manage the company for the next quarter century, not just for the next quarter, supporting your most valued partners in a crisis is simply good business.

Supporting Our Communities

At Travelers, we understand that we can only have a thriving, sustainable business if the communities in which we live and work are thriving too. For many years, we have focused on initiatives that improve academic and career success, build healthy neighborhoods and create culturally enriched communities. The unprecedented challenges of 2020 gave us the chance to support our neighbors in all these ways and more.

We pledged millions of dollars and matched additional funds contributed by our employees to assist families and communities impacted by the pandemic. These funds addressed urgent needs, including emergency assistance for hourly workers, food and shelter for vulnerable populations, stability to small businesses and resources to mitigate disruptions in education. We also paid the wages and health benefits for eligible third-party contract employees who provide services at Travelers offices, including dining and building maintenance, which protected their jobs during the economic shutdown.

In addition to providing financial support, we leveraged our resources to benefit our communities in other ways. We donated our kitchen facilities at our main campus in Hartford, Connecticut, to assist nonprofits in the preparation and delivery of tens of thousands of meals to those in need. In our other hometown of St. Paul, Minnesota, we worked with food banks to replenish their pantries with necessary items. And our employees stepped up by covering the costs of meals for hospital health care workers, distributing personal protective equipment and volunteering virtually to support children in hospitals and schools across the country.

Investing in Our Employees

Just as we bring a long-term perspective to managing other aspects of our business, we view our human capital management through a long-term lens. At Travelers, our people are our greatest asset. Our employees collectively drive our performance and fuel our ambitious innovation agenda. Their talent and expertise are critical to maintaining all our competitive advantages in a rapidly evolving business landscape.

Just as we bring a long-term perspective to managing other aspects of our business, we view our human capital management through a long-term lens.

We are proud that the average tenure at Travelers is an impressive 12 years, and over 20 years for our approximately 600 most senior leaders. In addition, our average global voluntary turnover rate over the past three years was only around 7%. That's due, in part, to the resources and support we provide for our employees throughout their careers. And it's also due to the unique culture that helps make Travelers such a rewarding place to work – a culture that is rooted in trust, collaboration, diversity and inclusion, and a commitment to one another's success.

We have long recognized that the only way we succeed is together. We continued to take care of each other as we all adjusted to the difficult circumstances this year. In keeping with our focus on mental well-being, we provided access to a suite of mental health resources, including those focused on mindfulness, stress reduction and resiliency. Recognizing the particular burden on working parents and caregivers, we launched our Working Parent & Caregiver Resource Group – a forum where Travelers parents and caregivers can come together to share tips, exchange resources and offer support to colleagues in similar situations. We also put together a Travelers volunteer corps of Homework Helpers to work with the children of fellow Travelers employees. And our employees continue to have 24/7 free and confidential access to Life Balance, our employee assistance program in the United States and Canada, and comparable resources in Europe.

While diversity and inclusion have long been a business imperative for us, the events of 2020 have sharpened our focus on ensuring an equitable and inclusive work environment for all our employees. We believe that diverse experiences and viewpoints yield greater insights and better outcomes, enable new ideas and spark innovation, raise the bar on individual and team performance, and sharpen our focus on our customers. That's why we have deliberate recruiting, retention and development practices tailored to deepen diverse talent pools and broaden advancement opportunities.

We also have a number of longer-term initiatives underway that are designed to raise awareness about insurance as an attractive career opportunity, such as Travelers EDGE®, our signature college-to-career pipeline program. These initiatives are already working to create a more diverse pipeline of talent for Travelers and attract a broader group of individuals to the property and casualty insurance industry.

We believe that diverse experiences and viewpoints yield greater insights and better outcomes, enable new ideas and spark innovation, raise the bar on individual and team performance, and sharpen our focus on our customers.

In response to the injustices we have all witnessed in our communities, we have created opportunities to listen and learn from one another about how we can further strengthen a culture where all our employees feel valued, respected and supported. To assist us all in our commitment to becoming better allies, we have partnered with a leading diversity and inclusion consulting firm to facilitate conversations across the company. Additionally, to ensure that everyone has the opportunity to be heard when it comes to decisions impacting their employment, we've created a new position – Vice President of Workplace Solutions – to serve as an "equity ambassador" for Travelers employees.

I believe that these and other initiatives will help us advance our goal of fostering a diverse and inclusive work environment that enables our employees to bring their best selves to work and ensure that we are doing our part to build a more just world. With that in mind, we have also decided to promote civic engagement as a special focus for Travelers in the coming year. We have a simple goal for this initiative: to work together to positively impact, and contribute to, the civic life of our communities.

These are just a few of the ways we are working to sustain our success. I invite you to read more about the ways we are driving sustained value creation at sustainability.travelers.com.

* * *

I would like to conclude my letter this year with a heartfelt thank you to my Travelers colleagues. Challenging times have a way of revealing our true character. During a year when so many people were worried about the health and safety of their loved ones, and managing child care and schooling from home, our team nonetheless rose to the occasion. You didn't miss a beat. And not only that – you turned up the tempo. Across geographies – from kitchen tables turned into desks and bedrooms turned into conference rooms – Travelers employees pulled together to successfully adapt to an evolving new world and deliver the risk management products and services our customers need to live their lives and run their businesses.

As the post-pandemic world comes into focus, we will continue to leverage our scale and resources to invest and innovate for the future.

For all this and more, I am enormously grateful – to my colleagues for their unwavering commitment to all that we stand for; to our agents and brokers for their tremendous partnership and friendship; to our customers and shareholders for their trust and confidence; and to our Board of Directors for their wisdom and support. It is an honor to lead this great company, and I am confident that we will emerge from this difficult period stronger than ever.

Alan D. Schnitzer
Chairman and Chief Executive Officer

The Power of Taking Care of Our Employees

FINANCIAL SECURITY

$120,000* **median pay** for full-time U.S. employees, who comprise over 90% of our workforce, putting us in the top quartile for employee pay in the S&P 500

$543 million spent in 2020 to provide our employees with security in their retirement through an active defined benefit pension plan and 401(k) savings plan

$15/hr minimum wage in the United States

$3 million spent in 2020 to match student loan payments with 401(k) contributions for 1,300+ employees through The Travelers Paying It Forward Savings Program

DIVERSITY & INCLUSION

55% women and **25% people of color** in our U.S. workforce

In each of the last 10 years, in our U.S. operations, we have **increased the percentage of people of color** in our workforce and have **increased the percentage of women and people of color** in management-level positions

11,000+ employees – more than a third of our employee population – are members of one or more of our eight Diversity Networks

24,000 views of our Diversity Speaks events in 2020

* Based on the median of the annual total compensation of full-time employees (other than the CEO) in the United States who worked for Travelers for the entire 2020 calendar year as calculated and reported in our 2021 Proxy Statement.

HEALTH & WELLNESS

51,000+ individuals covered by our medical plans

$240 million paid in 2020 in medical-related costs on behalf of our employees, retirees and dependents

0% increase in employee premiums for health care coverage for 2021

We use a **cost-sharing model** to subsidize health benefits: Higher-paid employees pay ~50% of their health care costs, while our lowest-paid employees pay ~20%

24/7 access to Life Balance, our employee assistance program, which includes professional counseling services, life coaching, personalized mentoring and support resources

11,000 employees enrolled in our *my*Wellness platform

TENURE & TURNOVER

12 years average tenure

20+ years average tenure for our **600** most senior employees

7% average voluntary employee turnover rate **over the past three years**

Our average tenure and voluntary turnover rates demonstrate the power of our culture and the attachment our employees have to the organization.

Employee Development Is Key to Our Success

We offer a variety of development programs for both entry-level and experienced professionals. Here are a few examples:

Leadership Development Programs

Hundreds of participants progress every year through a steady career path in a specific discipline, completing assignments and rotations designed to help them build on their technical, strategic-thinking and leadership skills.

Actuarial

- Five-year rotational program.
- Challenging assignments in core actuarial and analytic functions, including Predictive Modeling, Pricing and Rate Making, Product Management, Reserving, Risk Analysis and Risk Segmentation.
- Reserved study time for actuarial exams and opportunities to participate in or lead enterprisewide councils.

Business Insights & Analytics

- Three-year program.
- Tailored curriculum, with optional rotations, providing unique professional experiences with Business Intelligence, Geospatial and similar roles.
- Opportunity to work with dashboarding, querying, geospatial and other technologies.

Data Science

- Three-year program.
- Optional rotations in research and development areas, working with linear regression and additive models; machine learning algorithms; deep learning methods and neural networks; image and speech recognition; and natural language processing.

Finance

- Three-year rotational program.
- Wide-ranging assignments across the enterprise, including in Accounting and Reporting, Internal Audit, and Financial Planning & Analysis.

Human Resources

- Three-year rotational program.
- Nine-month assignments providing experience in different facets of Human Resources, such as Compensation, Talent Acquisition, Employee Relations, and either People & Projects or Data & Analytics.

Operations

- Three-year rotational program.
- Six- to 12-month assignments, with ability to choose from among Operational Effectiveness, Field Management, Data Analytics, Digital Enablement, Technology, Customer Experience, Workforce Optimization, Organizational Development, and Product and Underwriting Support.

Technology

- Two- to three-year rotational program.
- Assignments providing experience in Software Engineering, Infrastructure Engineering, Architecture, User Design/Experience and Cybersecurity.

Development Programs

In addition to our Leadership Development Programs, our Development Programs offer participating employees the opportunity to develop the foundational knowledge and technical skills needed for success at Travelers through on-the-job training, classroom instruction, self-study materials, independent work in an assigned business area and more.

Investment Analyst

- Two-year program.
- Training and skill strengthening for credit and quantitative research associates to analyze issuers, industries and securities, as well as the return and risk characteristics of our portfolio.
- Support pursuing the Chartered Financial Analyst (CFA) designation.

Product Management

- One-year program.
- Rotations throughout Personal Insurance and Business Insurance, focused on developing the future leaders of enterprisewide Product Management departments.

Underwriting Professional

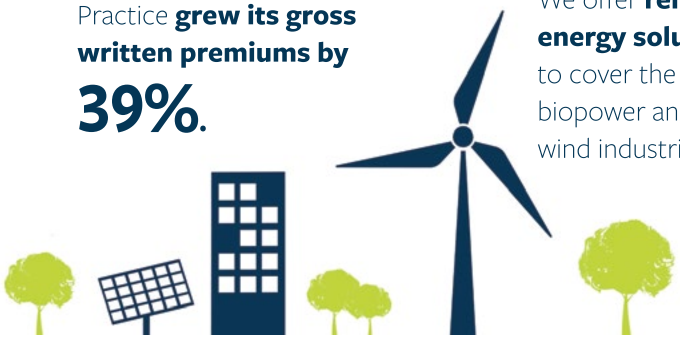
- One-year program.
- Opportunities to develop a comprehensive understanding of the exposures and coverage needs of insureds in Business Insurance or Bond & Specialty Insurance; to hone their technical and sales skills; and to build relationships with agents.

Our Climate Strategy

From 2019 to 2020, our Global Renewable Energy Practice **grew its gross written premiums by**

39%.

We offer **renewable energy solutions** to cover the solar, biopower and wind industries.



We offer products and services designed to **incentivize environmentally responsible behavior**, including discounts for hybrid and electric boats and vehicles.

Severe weather events over the last two decades have underscored the unpredictability of future climate trends, and changing climate conditions could impact the frequency and severity of natural disasters. We understand that climate risks require a different kind of focus, a different kind of response and a different kind of resilience. Through our thoughtful approach to changing climate conditions, we want to prepare a better world for our children and future generations, while ensuring that our business is positioned for future success.

Mitigating Exposure to Climate Risks

As a core part of our business, we continually monitor, assess and respond to the risks posed by changing climate conditions to provide products and services that both help our customers mitigate associated risks and are priced to meet our long-term financial objectives. To manage our exposure and response to catastrophe events, we use various methods, including proprietary and third-party modeling processes and geospatial analysis, to evaluate our climate-related risks and make underwriting, pricing and reinsurance decisions. We also regularly consider new insurance products and services that could be useful to our customers for addressing climate-related risks.

Supporting the Transition to a Lower-Carbon Economy

To facilitate innovation and the growth of renewable energy businesses and support the transition over time to a lower-carbon economy, we have a dedicated Global Renewable Energy Practice. This practice group provides insurance solutions for the life span of a renewable energy business – from research, development and manufacturing to permanent operations, as well as onshore and offshore wind, solar and biopower operations. From 2019 to 2020, our Global Renewable Energy Practice grew its gross written premiums by 39%. We also offer specialized coverage, as well as discounts where permissible, to incentivize environmentally responsible behavior, such as a suite of green building coverages, discounts for hybrid and electric boats and vehicles, a green home discount for homes that are LEED certified and a windstorm mitigation discount on hurricane premiums for homes built to the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED Gold™ standard.

Building Resilient Communities

Beyond the work we do with our customers, we are helping our communities become more resilient. We partner with nonprofits and other organizations around the country, such as IBHS, the BuildStrong Coalition, Habitat for Humanity® and SBP, and we are a sponsor of the Wharton Risk Center. Working with these organizations, we offer strategic guidance and help develop initiatives aimed at promoting stronger industry standards and building communities that can better withstand current and future weather-related risks.

We partner with Habitat for Humanity® and SBP to construct IBHS FORTIFIED homes to **better withstand current and future weather-related risks.**

We have committed to fund the planting of up to an additional

500,000 trees

by Earth Day 2021, in addition to the **1,000,000 trees** we've already planted.

Enhancing the Eco-Efficiency of Our Operations

We are also continuously finding cost-effective ways to minimize our impact on the environment, which can also reduce our operating expenses, without compromising on our promise to customers and employees. We have been working hard to reduce our already small carbon footprint. We have reduced our greenhouse gas emissions by 40% over the past decade, meeting our emissions reduction goal. Additionally, all our owned facilities are ENERGY STAR® certified, which means that we are in the top quartile in terms of energy performance standards, and 21% of the electricity used in those facilities comes from renewable energy sources. We also have a partnership with American Forests, the nation's oldest conservation organization. As of Earth Day 2020, we had funded the planting of 1 million trees across the United States – one tree for each Personal Insurance billing account converted to paperless billing. Although this is a great achievement, we decided that there was more work to do. Last summer, we committed to fund the planting of an additional 500,000 trees and joined the U.S. chapter of 1t.org to help conserve, restore and grow 1 trillion trees by 2030. Our work with American Forests benefits the environment while saving our company millions of dollars in printing and mailing costs.

We are proud to be the leader among domestic property and casualty insurance companies in issuing an annual report discussing our approach to managing changing climate conditions, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Visit sustainability.travelers.com to read our TCFD Report and learn more about our multifaceted climate strategy.

OUR OPERATIONS

40%

Reduction in greenhouse gas emissions over the past decade, meeting our emissions reduction goal.

50%

Approximate reduction in energy consumption at largest-owned campus since 2006.

21%

Electricity that comes from renewable energy sources at our owned facilities.

100%

Owned campuses that are ENERGY STAR® certified.

Management

Alan D. Schnitzer*+
Chairman and
Chief Executive Officer

Scott C. Belden+
Senior Vice President,
Reinsurance

D. Keith Bell
Senior Vice President,
Accounting Standards

Andy F. Bessette*+
Executive Vice President and
Chief Administrative Officer

Lisa M. Caputo*+
Executive Vice President,
Marketing, Communications
and Customer Experience

Claudiu L. Coltea+
Senior Vice President,
Enterprise Customer Experience

Susanne M. Figueredo+
Senior Vice President,
Enterprise Operations

Daniel S. Frey*+
Executive Vice President and
Chief Financial Officer

Patrick C. Gee+
Senior Vice President, Claim
Personal Insurance

Myles P. Gibbons+
Senior Vice President and
President, Commercial
Accounts Group, and
Chief Underwriting Officer,
Middle Market

Abbe F. Goldstein+
Senior Vice President,
Investor Relations

Martin J. Henry+
Senior Vice President,
Risk Control

William H. Heyman*+
Vice Chairman and Chairman
of the Investment Policy
Committee

Scott F. Higgins*+
Executive Vice President and
President, Middle Market,
National Property and Business
Insurance Field

Bruce R. Jones*+
Executive Vice President,
Enterprise Risk Management
and Chief Risk Officer

Julie M. Joyce+
Vice President and
Chief Corporate Actuary

Christine K. Kalla*+
Executive Vice President and
General Counsel

Patrick F. Keegan Jr.*+
Senior Vice President and
Enterprise Chief Underwriting
Officer

Avrohom J. Kess*+
Vice Chairman and
Chief Legal Officer

Patrick J. Kinney*+
Executive Vice President,
Enterprise Distribution
Management

Michael F. Klein*+
Executive Vice President and
President, Personal Insurance

Jeffrey P. Klenk*+
Executive Vice President,
Management Liability,
Bond & Specialty Insurance

Thomas M. Kunkel*+
Executive Vice President and
President, Bond & Specialty
Insurance

Diane Kurtzman*+
Executive Vice President and
Chief Human Resources Officer

Mojgan M. Lefebvre*+
Executive Vice President
and Chief Technology and
Operations Officer

Patrick L. Linehan+
Senior Vice President,
Corporate Communications

William C. Malugen Jr.*+
Executive Vice President and
President, National Accounts

Mano Mannoochahr+
Senior Vice President and
Chief Data and Analytics Officer

Lisa Morgan+
Senior Vice President and
President, Construction, Energy
and Marine

Eric M. Nelson+
Senior Vice President,
Catastrophe Risk Management

Eric Nordquist*+
Executive Vice President and
President, Small Commercial
& Business Insurance
Business Centers

Maria Olivo*+
Executive Vice President,
Strategic Development, and
President, International

Brian P. Reilly
Senior Vice President and
Chief Auditor

Ellen M. Rizzo+
Senior Vice President, Claim
Shared Services, and Chief
Financial Officer, Claim

Timothy D. Rogers+
Senior Vice President,
Chief Financial Officer and
Chief Operating Officer,
Business Insurance

David D. Rowland*+
Executive Vice President and
Co-Chief Investment Officer

Douglas K. Russell+
Senior Vice President,
Corporate Controller and
Treasurer

Scott W. Rynda
Senior Vice President,
Corporate Tax

Peter Schwartz
Senior Vice President and
Group General Counsel,
Corporate Litigation

Nicholas Seminara*+
Executive Vice President and
Chief Claim Officer

Wendy C. Skjerven
Vice President, Corporate
Secretary and Group
General Counsel

Kevin C. Smith*+
Executive Vice President and
Chief Innovation Officer

Gregory C. Toczydlowski*+
Executive Vice President and
President, Business Insurance

Glenn E. Westrick
Senior Vice President,
Government Relations

Joan K. Woodward*+
Executive Vice President,
Public Policy, and President,
The Travelers Institute

Daniel T. H. Yin*+
Executive Vice President and
Co-Chief Investment Officer

William J. Zielinski+
Senior Vice President,
Product Management,
Personal Insurance

* Management Committee Member
\+ Operating Committee Member

Board of Directors

Alan L. Beller
Senior Counsel
Cleary Gottlieb Steen & Hamilton LLP
Director since 2007

Janet M. Dolan
President
Act 3 Enterprises, LLC

Retired President and CEO
Tennant Company

Director since 2001

Patricia L. Higgins
Retired President and CEO
Switch and Data Facilities, Inc.

Director since 2007

William J. Kane
Retired Audit Partner
Ernst & Young

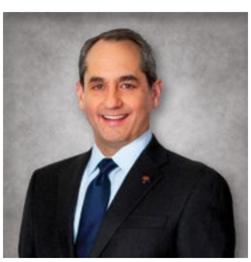
Director since 2012

Clarence Otis Jr.
Retired Chairman and CEO
Darden Restaurants, Inc.
Director since 2017

Elizabeth E. Robinson
Retired Global Treasurer of
The Goldman Sachs Group, Inc.
Director since 2020

Philip T. Ruegger III
Retired Chairman
Simpson Thacher & Bartlett LLP
Director since 2014

Todd C. Schermerhorn*
Retired Senior Vice President and CFO
C. R. Bard, Inc.
Director since 2016



Alan D. Schnitzer
Chairman and CEO
Travelers
Director since 2015

Donald J. Shepard
Retired Chairman of the Executive Board and CEO
AEGON N.V.
Director since 2009

Laurie J. Thomsen
Retired Partner and Co-Founder
Prism Venture Partners
Director since 2004

*Independent Lead Director

Board Committees

Audit	Compensation	Executive	Investment and Capital Markets	Nominating and Governance	Risk
Kane (Chair)	Otis (Chair)	Schnitzer (Chair)	Dolan (Chair)	Ruegger (Chair)	Schermerhorn (Chair)
Beller	Dolan	Dolan	Otis	Dolan	Beller
Higgins	Robinson	Kane	Robinson	Otis	Higgins
Schermerhorn	Ruegger	Otis	Ruegger	Robinson	Kane
Thomsen	Shepard	Ruegger	Shepard	Shepard	Thomsen
		Schermerhorn			

TRAVELERS

Form 10-K

Shareholders' Information

Your dividends

The Travelers Companies, Inc. has paid cash dividends without interruption for 149 years. Our most recent quarterly dividend of $0.85 per share was declared on January 21, 2021, payable March 31, 2021, to shareholders of record as of March 10, 2021.

Automatic dividend reinvestment program

This program provides a convenient opportunity for our shareholders to increase their holding of Travelers common stock. An explanatory brochure and enrollment card may be obtained by calling our stock transfer agent, Equiniti Trust Company, at 888.326.5102, or by mailing a request to the address below.

Stock transfer agent and registrar

For address changes, dividend checks, direct deposits of dividends, account consolidations, registration changes, lost stock certificates and general stock holding questions, please contact:

Equiniti Trust Company
EQ Shareowner Services
P.O. Box 64854
Saint Paul, MN 55164-0854

Toll Free: 888.326.5102
Outside U.S. and Canada:
651.450.4064
shareowneronline.com

Financial information available

Travelers makes available, free of charge on its website, all of its filings that are made electronically to the SEC, including Forms 10-K, 10-Q and 8-K. To access these filings, go to travelers.com > Investors > Financial Information > SEC Filings.

Requests for additional information may be directed to:

The Travelers Companies, Inc.
485 Lexington Avenue
New York, NY 10017-2630
Investor Relations, NY08EX
Attn: Abbe Goldstein
917.778.6824

Annual Meeting of Shareholders

In light of the COVID-19 pandemic and in an effort to protect the health and safety of our shareholders, employees and communities, the Annual Meeting of Shareholders will be held by remote communication in the form of a webcast at 9:00 a.m. (ET) on May 20, 2021. If you are a shareholder of record as of the close of business on the record date of March 23, 2021, you may attend and vote at the virtual-only Annual Meeting by visiting www.virtualshareholdermeeting.com/TRV2021.

On or about April 2, 2021, we plan to send proxy materials, or a notice of internet availability of proxy materials, to shareholders of record as of the close of business on the record date. The notice will provide instructions on where to access our Proxy Statement and Annual Report as well as how to vote your shares electronically. The notice also includes instructions on how to request a printed copy of our proxy materials.

Stock price and dividends declared

The Travelers Companies, Inc. common stock is listed on the New York Stock Exchange (NYSE) and is publicly traded under the ticker symbol "TRV".

The following tables set forth the quarterly high and low closing sales prices of The Travelers Companies, Inc. common stock, as well as the amount of quarterly cash dividends declared per share for 2020 and 2019.

2020	High	Low	Cash Dividend Declared
First Quarter	**$141.34**	**$ 81.69**	**$0.82**
Second Quarter	**128.00**	**89.86**	**0.85**
Third Quarter	**122.24**	**107.44**	**0.85**
Fourth Quarter	**140.37**	**107.81**	**0.85**

2019	High	Low	Cash Dividend Declared
First Quarter	$137.16	$115.26	$0.77
Second Quarter	153.13	135.19	0.82
Third Quarter	154.83	143.48	0.82
Fourth Quarter	145.55	128.93	0.82

Additional information

We have included the tables below and on the next page to provide reconciliations of certain GAAP financial measures to non-GAAP financial measures as follows: (i) a reconciliation of net income per share to core income per share on a diluted basis, (ii) a reconciliation of total capitalization to total capitalization excluding net unrealized investment gains, net of tax, included in shareholders' equity, (iii) a reconciliation of shareholders' equity to adjusted shareholders' equity, which are components of the return on equity and core return on equity ratios, (iv) a calculation of return on equity and core return on equity, (v) a calculation of book value per share and adjusted book value per share, (vi) a reconciliation of after-tax underlying underwriting income (also known as underlying underwriting gain) to net income, and core income to net income and (vii) a reconciliation of invested assets to invested assets excluding net unrealized investment gains (losses).

	For the year ended December 31,	
(Dollars in millions, after-tax)	**2020**	2019
Reconciliation of net income per share to core income per share on a diluted basis		
Net income	**$10.52**	$9.92
Adjustments:		
Net realized investment gains, after-tax	**(0.04)**	(0.32)
Core income	**$10.48**	$9.60

	As of December 31,	
(Dollars in millions)	**2020**	2019
Reconciliation of total capitalization to total capitalization excluding net unrealized investment gains, net of tax, included in shareholders' equity		
Debt	**$ 6,550**	$ 6,558
Shareholders' equity	**29,201**	25,943
Total capitalization	**$35,751**	$32,501
Less: Net unrealized investment gains, net of tax, included in shareholders' equity	**4,074**	2,246
Total capitalization excluding net unrealized gain on investments, net of tax, included in shareholders' equity	**$31,677**	$30,255
Debt-to-capital ratio	**18.3%**	20.2%
Debt-to-capital ratio excluding net unrealized investment gains, net of tax, included in shareholders' equity	**20.7%**	21.7%

	As of December 31,					
(Dollars in millions)	**2020**	2019	2018	2017	2016	2015
Reconciliation of shareholders' equity to adjusted shareholders' equity						
Shareholders' equity	**$29,201**	$25,943	$22,894	$23,731	$23,221	$23,598
Adjustments:						
Net unrealized investment (gains) losses, net of tax, included in shareholders' equity	**(4,074)**	(2,246)	113	(1,112)	(730)	(1,289)
Net realized investment gains, net of tax	**(11)**	(85)	(93)	(142)	(47)	(2)
Impact of TCJA[1] at enactment	**–**	–	–	287	–	–
Adjusted shareholders' equity	**$25,116**	$23,612	$22,914	$22,764	$22,444	$22,307

(Dollars in millions, after-tax)	**2020**	2019	2018	2017	2016
	For the year ended December 31,				
Calculation of return on equity and core return on equity					
Net income	**$ 2,697**	$ 2,622	$ 2,523	$ 2,056	$ 3,014
Average shareholders' equity	**$26,892**	$24,922	$22,843	$23,671	$24,182
Return on equity	**10.0%**	10.5%	11.0%	8.7%	12.5%
Core income	**$ 2,686**	$ 2,537	$ 2,430	$ 2,043	$ 2,967
Adjusted average shareholders' equity	**$23,790**	$23,335	$22,814	$22,743	$22,386
Core return on equity	**11.3%**	10.9%	10.7%	9.0%	13.3%

(Dollars in millions, except per share amounts)	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
	As of December 31,									
Calculation of book value per share and adjusted book value per share										
Shareholders' equity	**$29,201**	$25,943	$22,894	$23,731	$23,221	$23,598	$24,836	$24,796	$25,405	$24,477
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
Shareholders' equity, excluding net unrealized investment gains (losses), net of tax, included in shareholders' equity	**$25,127**	$23,697	$23,007	$22,619	$22,491	$22,309	$22,870	$23,474	$22,302	$21,606
Common shares outstanding	**252.4**	255.5	263.6	271.4	279.6	295.9	322.2	353.5	377.4	392.8
Book value per share	**$115.68**	$101.55	$ 86.84	$ 87.46	$ 83.05	$ 79.75	$ 77.08	$ 70.15	$ 67.31	$ 62.32
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

(Dollars in millions, after-tax)	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
	For the year ended December 31,									
Reconciliation of after-tax underlying underwriting income (also known as underlying underwriting gain) to net income, and reconciliation of core income to net income										
Underlying underwriting income	**$2,008**	$1,400	$1,522	$1,239	$1,265	$1,446	$1,430	$1,277	$ 888	$ 451
Impact of catastrophes	**(1,274)**	(699)	(1,355)	(1,267)	(576)	(338)	(462)	(387)	(1,214)	(1,669)
Impact of net favorable (unfavorable) prior year reserve development	**276**	(47)	409	378	510	617	616	552	622	473
Underwriting income (loss)	**1,010**	654	576	350	1,199	1,725	1,584	1,442	296	(745)
Net investment income	**1,908**	2,097	2,102	1,872	1,846	1,905	2,216	2,186	2,316	2,330
Other, including interest expense	**(232)**	(214)	(248)	(179)	(78)	(193)	(159)	(61)	(171)	(195)
Core income	**2,686**	2,537	2,430	2,043	2,967	3,437	3,641	3,567	2,441	1,390
Net realized investment gains	**11**	85	93	142	47	2	51	106	32	36
Impact of TCJA[1] at enactment	**–**	–	–	(129)	–	–	–	–	–	–
Net income	**$2,697**	$2,622	$2,523	$2,056	$3,014	$3,439	$3,692	$3,673	$2,473	$1,426

(Dollars in millions)	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
	As of December 31,									
Reconciliation of invested assets to invested assets excluding net unrealized investment gains (losses)										
Invested assets	**$84,423**	$77,884	$72,278	$72,502	$70,488	$70,470	$73,261	$73,160	$73,838	$72,701
Less: Net unrealized investment gains (losses), pre-tax	**5,175**	2,853	(137)	1,414	1,112	1,974	3,008	2,030	4,761	4,399
Invested assets excluding net unrealized investment gains (losses)	**$79,248**	$75,031	$72,415	$71,088	$69,376	$68,496	$70,253	$71,130	$69,077	$68,302

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

Underlying underwriting income is net earned premiums and fee income less claims and claim adjustment expenses (excluding catastrophe losses and prior year reserve development) and insurance-related expenses.

Average shareholders' equity is (a) the sum of total 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.

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 and the effect of a change in tax laws and tax rates at enactment (excluding the portion related to net unrealized investment gains (losses)). Adjusted average shareholders' equity is (a) the sum of 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.

Return on equity is the ratio of (a) net income for the period presented to (b) average shareholders' equity for the period presented. Core return on equity is the ratio of (a) core income for the period presented to (b) adjusted average shareholders' equity for the period presented.

Definitions of other terms used in this Annual Report are included in the *Glossary of Selected Insurance Terms* portion of the Form 10-K.

TRAVELERS

The Travelers Companies, Inc.
485 Lexington Avenue
New York, NY 10017-2630
800.328.2189

NYSE: TRV
travelers.com