



Travelers Sustainability Accounting Standards Board Report 2021



In addition to providing wide-ranging disclosure on our website regarding our approach to sustained value creation, which integrates environmental, social and governance factors, The Travelers Companies, Inc. (together with its consolidated subsidiaries, Travelers or the Company) is providing the following disclosures, which are aligned with the Sustainability Accounting Standards Board (SASB) standards for the insurance industry. Travelers is a leading provider of commercial, personal and specialty insurance products and services to businesses, government units, associations and individuals. Because Travelers is a property and casualty insurance company, this report does not address any metrics requesting information regarding other types of insurance products (e.g., life insurance).^[1]

I. Sustainability Disclosure Topics & Accounting Metrics

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[1] The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact (or potential impact) of that information. For additional information regarding Travelers, please see our current and periodic reports with the Securities and Exchange Commission, including our [Annual Report on Form 10-K](#) and Quarterly Reports on Form 10-Q.

II. Activity Metric

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III. Discussion & Explanations of Accounting & Activity Metrics

Transparent Information & Fair Advice for Customers

FN-IN-270a.1

Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers

In accordance with Securities and Exchange Commission requirements, Travelers discloses all material legal proceedings, other than ordinary routine litigation incidental to the business, in its [Annual Reports on Form 10-K](#) and Quarterly Reports on Form 10-Q. In 2021, legal proceedings and/or losses, if any, associated with marketing and communication of insurance product-related information were de minimis.

FN-IN-270a.2

Complaints-to-claims ratio

Travelers provides a wide range of commercial and personal property and casualty insurance products primarily through its insurance subsidiaries. Our domestic insurance subsidiaries are subject to insurance regulation in the various states and jurisdictions where they transact business. Most state insurance departments provide consumer complaint data to the National Association of Insurance Commissioners (NAIC), and the NAIC produces several reports combining this data. Neither the NAIC nor Travelers, however, calculates a complaints-to-claims ratio. We do not believe a complaints-to-claims ratio is a meaningful metric for assessing a company's claim handling process. For example, companies may track open and closed claims differently, which could result in a comparison that is not meaningful.

Additionally, a complaint may be received years after a claim is closed, which could overstate a company's complaints-to-claims ratio for that reporting period. A complaints-to-claims ratio also would not account for variations in an underwriting company's concentration of lines of business or market share, which further diminishes the usefulness of the metric.

The NAIC does provide a resource regarding complaints through its Consumer Insurance Search (CIS) site, which receives complaint information from the state insurance departments. While the NAIC provides a number of reports through CIS for complaint trends, the NAIC data does not provide one metric for all of Travelers' underwriting companies combined. We note that the NAIC's current methodology for calculating the Company Complaint Index, which compares a company's performance (such as that of Travelers) to other companies in the market, may also skew the index for an underwriting company with little or no written premium, for example. Accordingly, a Company Complaint Index may appear to be higher than the industrywide National Complaint Index even when the company received a minimal number of complaints. For this reason, we do not believe that CIS's current Company Complaint Indexes of Travelers' underwriting companies provide meaningful information for our investors or other stakeholders.

FN-IN-270a.3

Customer retention rate

We routinely monitor our customer retention rates for all lines of business, except for surety and other products that are generally sold on a nonrecurring, project-specific basis.

We report our retention rates as part of our quarterly earnings webcast using a methodology that we believe is meaningful for our investors and other users of our financial information. Our methodology does not adjust the calculation for involuntarily terminated customers as provided for by the SASB methodology; this generally results in a lower reported retention rate for our business than if we had adjusted for these customers in accordance with the SASB methodology. We also report select business groups in our Business Insurance and Bond & Specialty Insurance segments using customer relationship premium as our metric rather than policy counts, which are used for our Personal Insurance segment, as we believe this is a more meaningful measure with respect to business customers. This approach is consistent with our approach for financial reporting. The following provides a summary of our retention rates by relevant business group as reported as of December 31, 2021.

BUSINESS GROUP	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21
Domestic Business Insurance (excluding National Accounts)	84%	83%	83%	83%	83%	84%	85%	85%
Domestic Business Insurance: Select Accounts	82%	84%	81%	79%	80%	80%	82%	82%
Domestic Business Insurance: Middle Market	86%	85%	85%	85%	86%	87%	87%	87%
Domestic Bond and Specialty Insurance: Management Liability ^[1]	89%	89%	91%	89%	87%	86%	86%	87%
Domestic Personal Insurance: Automobile ^[2]	84%	84%	84%	84%	85%	86%	86%	85%
Domestic Personal Insurance: Homeowners and Other ^[2]	85%	85%	84%	84%	84%	85%	85%	85%
Total International Insurance ^[1]	71%	80%	79%	81%	80%	80%	80%	82%

[1] This ratio excludes surety and other products that are generally sold on a nonrecurring, project-specific basis.

[2] This ratio represents the expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

FN-IN-270a.4

Description of approach to informing customers about products

Travelers provides a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. Travelers has established comprehensive policies and procedures designed to ensure that the information we provide to existing and potential customers is transparent, complete and easy to comprehend. The relevant business unit, Communications group and Legal department are all involved in the preparation and review of communications disseminated to customers or prospective customers that describe Travelers' product offerings.

Since Travelers has a wide range of customers, this information is tailored to meet the needs of the particular customer (taking into account, for example, whether the customer is an individual or a business). The information we provide includes the specific product and policy scope, terms and conditions, and the suitability of the product for the customer's needs, as well as other relevant information. This information may also include industry- and exposure-related materials, risk management support and other general information about Travelers, our brand and/or our financial strength.

We communicate with our existing and potential customers directly through our employees and indirectly through our agent and broker partners. Our agent and broker partners are instrumental in providing information and advisory assistance to both existing and potential policyholders. We also use other channels to communicate with our existing and potential customers, such as (1) direct mailings and email, (2) our website, [travelers.com](https://www.travelers.com), (3) social media and (4) advertising and promotional materials.

The following discussion summarizes how we communicate with our customers in each of our three business segments: (1) Personal Insurance, (2) Business Insurance and (3) Bond & Specialty Insurance. In addition, we describe the communication approach of our Claim Services organization.

Individual Customers

Our individual customers purchase products that are reported in our Personal Insurance segment. In Personal Insurance, we are focused on the end-to-end customer experience and strive to continually improve that experience. We believe that transparency is a fundamental element of a good customer experience and is accomplished by providing information in a manner that is as clear as possible for consumers who may not have insurance industry-specific knowledge.

We have invested, and continue to invest, in core capabilities that are designed to improve the level of transparency with our individual customers and will allow us to communicate with our customers in a more personalized fashion. Our investments include the following:

- **MyTravelers® Customer Website and the MyTravelers® Mobile App.** At [MyTravelers.com](https://www.travelers.com), and in our newly redesigned *MyTravelers* mobile app, customers can make payments, view or change policy information, report and track the status of a claim, download auto ID cards, request roadside assistance and otherwise manage their insurance policies. Both are available 24/7 and enable our customers to manage their insurance needs more quickly and conveniently. In addition, through this robust digital experience, we provide our customers with explanations about our insurance products and coverage using easy to understand language and, in some cases, video content.
- **Home Insurance Summary Page.** Travelers' [Quantum Home 2.0®](#) insurance packages include a page designed to educate and inform customers about some of the basic terms and coverages included in their policies. The summary page features an illustration of a home and urges customers to explore their coverage in an engaging way. The page describes major coverages in easy-to-understand language. It also shows which discounts are currently applied to a policy and which are not. In addition, the page provides a high-level view of what is and is not typically covered by homeowners insurance in plain language.
- **Insurance Essentials: Your Questions Answered.** As part of our commitment to customers, both existing and potential, the [Travelers Institute®](#) (the public policy division of Travelers) has an initiative called [Insurance Essentials: Your Questions Answered](#) to help consumers make informed decisions about their personal insurance options. The initiative was introduced following Superstorm Sandy and other extreme weather events, which demonstrated that many consumers need, or want, more help understanding their insurance policies and options. This initiative includes an educational [Insurance Essentials guide](#) that covers topics such as how insurance works; types of homeowners and auto insurance coverages; condominium and renters insurance; wedding insurance; flood insurance; limits and deductibles; and basic disaster preparedness. Further, the Travelers Institute partners with independent insurance agents to bring an educational symposium series to their communities, also addressing local issues such as wildfires and hurricanes.

- **Travelers Home Central™.** *Travelers Home Central* is a set of online tools and resources that provides information about moving, refinancing, buying and remodeling a home. The content is designed to help our current and future customers protect themselves, feel more confident in making difficult choices and better understand the risks involved with being a homeowner.

These digital experiences are offered to the majority of our customers regardless of how they bought their policies (i.e., direct, affinity relationship or independent agent).

Business Customers

Our business customers purchase products that are reported in the Business Insurance or the Bond & Specialty Insurance business segments. Business insurance products include more than insurance policies; business customers also purchase supplemental services, such as risk control and claim handling services.

Business customers have varying levels of sophistication and often have dedicated risk management teams or departments and legal representation when negotiating insurance contracts, reviewing insurance policies and terms and managing the insurance relationship once a policy is purchased. Our business customers are also typically represented by independent, professionally licensed insurance producers in the procurement of insurance coverage. As a result, the vast majority of our dealings in the negotiation of insurance contracts are with the insured's or potential insured's representative. This remains true after the sale of a policy, as well. The independent producer is also generally involved even when we directly communicate with an insured or prospective insured.

Our methods and channels of communication with our business customers take into account their level of sophistication and the resources they have available and include:

- **Travelers.com Product-Specific Pages.** We have website pages that provide an overview of product offerings by industry and, where applicable, expanded Insights & Expertise content. The information provided includes explanations of industry-specific coverage available, as well as ways to mitigate and manage the risk associated with these industries.

- **MyTravelers® for Business.** *MyTravelers for Business* offers customers online access to policy, billing and claim information. In addition, customers can access our collection of safety resources to help them better understand, mitigate and manage risk.
- **Risk Management Information Services (e-CARMA®).** For our larger customers with more sophisticated or complex operations, we offer *e-CARMA*, a comprehensive and customizable analysis tool that makes accessing loss information faster and easier. This allows our customers to make timely and informed decisions to keep their businesses running smoothly.
- **For Agents Portal.** We offer a tailored portal for our agents and partners, recognizing that they provide counsel and guidance throughout all aspects of a customer's experience with Travelers. The For Agents portal provides access to our product and market information, tools for quoting and issuing policies, billing and policy services, claim and risk control information and marketing tools.
- **Webinars and Conference Educational Sessions.** We offer in-depth presentations that feature specialists and subject matter experts who explore topics and trends and provide ways to help mitigate risks. Further, the Travelers Institute convenes business owners across the country with industry experts to explore solutions to their everyday challenges, such as business continuity planning, access to capital and cybersecurity, through two dedicated symposium series: [Small Business – Big Opportunity®](#) and [Cyber: Prepare, Prevent, Mitigate, Restore®](#). The *Travelers Institute* also explores pressing topics in insurance, business and leadership through the [Wednesdays with Woodward®](#) webinar series.
- **Videos.** We offer short-form content that provides visual examples and information, primarily related to our products and/or loss prevention; topics covered include, for example, the Travelers Early Severity Predictor®, trends in manufacturing and risks in crane operations.
- **Product and Marketing Materials.** Our electronic and printed materials detail specific product offerings and include product highlight sheets, coverage checklists, policy benefits, risk scenarios and thought leadership white papers.

Claim Services

Whether an insurance policy is sold to an individual or to a business, the policy represents a promise to indemnify the customer in the event of a covered loss. Our overarching imperative is to pay what we owe. Our claim process includes timely identification and communication of all applicable coverages and limits; informing our customers about the scope of their coverage is an important part of that process. We communicate with our customers through a variety of channels, including our website, [travelers.com](https://www.travelers.com); our mobile app and customer portal, *MyTravelers*; letters; emails; and text messages and telephone conversations with our Claim professionals. In addition, for certain claim types, Travelers loss consultants are available to provide our customers with information about coverage, deductibles and probable impact to loss history before a claim is filed to help them make an informed decision about whether to file a claim.

We continue to expand the availability of digital tools that provide claim status updates and facilitate communication with Claim and medical professionals throughout the claim process. These tools provide access to medical and physical damage reports and payments issued and allow for secure communications with Claim and medical professionals.

Each Claim professional is trained on payment processes and accountable for explaining those processes to customers along with any relevant informational documentation. Customers may dispute the resolution of their claim at any time, following which we will conduct a review of the file to ensure that the claim was properly handled.

Incorporation of Environmental, Social & Governance Factors in Investment Management

FN-IN-410a.1

Total invested assets, by industry and asset class

The primary purpose of our investment portfolio is to fund the payment of future claims. Accordingly, we employ a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. On December 31, 2021, 93% of our investment portfolio was invested in fixed maturity and short-term investments. As of that date, the weighted average credit quality of our fixed maturity portfolio, both including and excluding U.S. Treasury securities, was “Aa2.”

Information regarding our investments is included for our lead insurers (i.e., The Travelers Indemnity Company, St. Paul Fire and Marine Insurance Company, Travelers Casualty and Surety Company, and The Standard Fire Insurance Company) in our [Annual Statutory Statements](#), available on our website.

We also include detailed information on the investments held by investment type, country and credit rating (where applicable) in the Summary Investment Schedule (Exhibit 2 for the Travelers Combined Pool Audit and Exhibit 1 for the other non-pooled entities audits) and Supplemental Investment Risks Interrogatories (Exhibit 3 for the Travelers Combined Pool Audit and Exhibit 2 for the other non-pooled entities audits) in our annual audited statutory basis financial statements that we file with our regulators. These [schedules and interrogatories](#) are available on our website.

Additionally, for a discussion of our investment portfolio, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Investment Portfolio” in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2021.

FN-IN-410a.2

Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies

For information responsive to FN-IN-410a.2, please see our [2021 TCFD Report](#).

Policies Designed to Incentivize Responsible Behavior

FN-IN-410b.1

Net premiums written related to energy efficiency and low carbon technology

Travelers notes that the separate identification of premiums related to energy efficiency and low carbon technology risks is dependent on whether those risks are separately rated (and priced) from the other risks included in a policyholder's total coverage. Currently, we do not capture premium data based on energy efficiency and low carbon technology. We currently capture premium data by line of business and by state, as required by our insurance regulators.

We believe Travelers is positioned to benefit from the increased economic activity related to renewable energy by insuring more offshore wind projects globally. We participate in the insurance program for the first U.S. offshore wind farm project, Block Island Wind Farm, as well as offshore wind projects in the North Sea and Asia. Revenues from our Global Renewable Energy Practice have increased nearly 120% since 2018, translating to a 3-year compound annual growth rate (CAGR) of 30%.

FN-IN-410b.2

Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors

Travelers offers several products and services with features that are designed to incentivize health, safety, and/or environmentally responsible actions or behaviors.

Health & Safety

As a leading workers compensation carrier, we offer various products and services designed to maximize employee health, ensure workplace safety and, when work-related injuries do occur, enable injured employees to return to work as soon as medically appropriate. We also have products and services in our other commercial and personal insurance lines to incentivize the safety of our customers and our customers' employees.

- **Early Severity Predictor®.** By analyzing claim data, Travelers created the [Early Severity Predictor](#) model that can help identify an injured employee's likelihood of experiencing chronic pain using weighted predictors at key points during the life of a claim. By adjusting medical care and resources, the *Early Severity Predictor* model can help address potential drivers of chronic pain – a condition that is largely treated with opioids or other painkillers – reducing the risk of opioid addiction. Since its inception in 2015, our *Early Severity Predictor* model has benefited more than 90,000 injured employees. In addition to improving the recovery experience for tens of thousands of injured employees, the program has resulted in loss cost savings of more than \$150 million by helping reduce surgeries performed and opioids prescribed. Today, we apply this model to all of the lost-time workers compensation claims we receive.
- **Injured Employee Portal.** Responding to the evolving needs of our customers and their injured employees, we have made numerous investments in our workers compensation claim handling model, [TravComp®](#). For example, we introduced our self-service workers compensation claim portal, MyTravelers® for Injured Employees. Through this innovative platform, injured employees are empowered to engage in their return-to-work journey and interact with us digitally throughout the claim process. In-portal claim notifications, messaging with Claim and medical professionals, two-way document sharing and tailored digital content help ensure we quickly get the right claim information into the hands of injured employees.

- **Helping Injured Employees Return to Work.** When an employee is injured at work, navigating the claim process can be challenging. A one-on-one connection between a nurse and the injured employee, pioneered by the Travelers ConciergeCLAIM® Nurse program, helps injured employees access quality health care, stay engaged in the workforce and return to work as soon as medically appropriate. By placing nurse case managers in local health care clinics across the country, we can offer this service to all our customers. When the Travelers *ConciergeCLAIM* Nurse program is used, overall claim costs and the days out of work are reduced.

This program can also be paired with our Cultural Advantage program and align a Spanish-speaking injured employee with a Spanish-speaking nurse to build trust and improve outcomes. On average, when we provide Spanish-language workers compensation Claim and medical professionals, we see a reduction in lost time and claim, legal and medical expenses, with improved medical and return-to-work outcomes. In our Southern California Claim Center, workers compensation claims handled by culturally and linguistically aligned Claim professionals through our Cultural Advantage program saw a 22% improvement in return to work within 30 days (Travelers Claim Data – Accident Years 2014-2021, evaluated at 12 months).

Employers can also help injured employees avoid opioid dependency and other barriers to a successful return to work by implementing a post-injury management strategy. This is a key part of the Travelers [Corridor of Care](#)® process, which takes a systematic and positive approach to handling employee injuries. This process, which is designed to assist employers in supporting injured employees from the moment they are injured through their return to work, can help employees receive prompt, quality medical care; facilitate collaboration among the employee, the employee's medical provider, the employer and the insurance professional; and with an effective transitional-duty program, help build employee morale, keep injured workers connected to the workforce and help them transition back to work as soon as medically appropriate.

- **Biopsychosocial Approach to Claim Handling.** Our application of a biopsychosocial approach to claim handling helps us understand, identify and acknowledge the many

factors involved in an individual's recovery after an injury or illness. The application of this approach engages employees in managing their recovery, leading to a reduction in chronic pain and unnecessary medical treatments, and results in a more likely return to work as soon as medically appropriate.

- **Industrial Hygiene Laboratory.** The Travelers Industrial Hygiene (IH) Laboratory, nationally accredited by the American Industrial Hygiene Association, provides specialized services to our commercial customers to help them understand occupational health exposures in order to minimize occupational diseases. The IH Laboratory supports our field organization and offers our customers a wide array of sampling and analysis protocols based on Occupational Safety and Health Administration (OSHA) and National Institute for Occupational Safety and Health methodologies. The IH Laboratory, equipped to analyze more than 500 chemicals, performs on average more than 50,000 analyses on approximately 30,000 samples annually. The experienced staff develops innovative analytical methods and recommends products and services for monitoring workplace environments and helping customers improve the health and safety of their employees. When COVID travel restrictions impacted on-site evaluations, virtual consulting tools were adopted in order to continue providing timely support and guidance to our customers.
- **Ergonomics Initiative.** Musculoskeletal disorders resulting from job demands, workstation arrangement or work habits can lead to serious health issues that can impair an employee's ability to work safely and comfortably. By using the full range of our ergonomics services, we can collaborate with our insureds on-site or remotely to help reduce the risk of injury and related costs. Our staff of dedicated certified ergonomists and our field consultants focus on helping customers identify and reduce significant risk factors for workplace injuries related to musculoskeletal disorders.

Travelers was the first insurance carrier to offer its business customers both virtual and on-site ergonomic assessments by ergonomists using an artificial intelligence (AI)-enhanced tool to help quantify task characteristics such as postures, direction of movement and distances. Using a video of a worker performing a task, the software assists a Travelers ergonomics professional with developing consultative solutions that can help keep workers safe.

Our core consulting services include:

- Ergonomic assessments, which leverage AI-enhanced video capabilities, to help identify the “vital few” tasks with the highest potential for reducing employee injuries.
- The Ergonomic Job Improvement Process, our four-phase process to help customers self-identify and address key ergonomic issues using a team approach.
- Ergonomic task force development assistance to empower teams to make workplace ergonomic improvements through employee engagement.

In addition to our on-site services, our ergonomics specialists provide on-demand virtual consulting to customers to help them assess their risks and offer effective solutions.

- **Crane Safety Training Programs.** Cranes are one of the most dangerous and expensive pieces of equipment found on construction job sites. When a crane fails, workers and bystanders can be seriously injured or killed, property can be damaged and production deadlines and budgets can be negatively impacted. Having a knowledgeable crane operations team that is well versed in crane safety is critical. Travelers has numerous crane safety training programs and resources to help contractors and their staff learn how to operate cranes safely. Travelers has trained more than 10,000 professionals in crane safety.
- **Leveraging Technology to Improve Worker Safety.** Travelers Risk Control is working with select vendors, such as Triax Technologies, to explore how using wearable devices at construction sites may help improve safety. Triax provides workers with an unobtrusive wearable device that enables faster response times to suspected injuries with real-time, worker-generated safety notifications that include the worker’s location. The Internet of Things (IoT) device also includes smart evacuation and muster functionality and provides insights into worker risk key performance indicators and behavior analytics. Additionally, it offers other safety and workforce management benefits, such as identifying individuals entering the worksite with expired OSHA training and using other coded data to identify work areas with a high density of workers who are most at risk of injury.

- **Fire Protection System Impairment Management Tool.** Available on our secure *MyTravelers* for Business website, this tool is designed to help customers record and communicate with Travelers when a sprinkler system, fire pump, special extinguishing system or other fire protection system component is out of service. Customers can track impairments at multiple properties and get reminder emails to help return a system back to service in a timely manner, helping to protect their business and employees.
- **Safe Driving.** Our Risk Control staff works with customers to help them manage employee drivers to improve their on-the-road safety performance. Our staff also provides safety resources to personal and business drivers to help them become safer, more aware drivers. Travelers Risk Control also promotes safe driving through (1) our dedicated staff of transportation safety specialists; (2) customer outreach with our *Lives@Risk* program, which is designed to build awareness of common distractions that can affect a driver’s ability to focus on the task of driving; and (3) supporting enterprisewide education efforts, such as the [Travelers Institute Every Second Matters®](#) education campaign to combat distracted driving.

We also incentivize safe driving behaviors for our customers through *IntelliDrive®*, a mobile-app telematics program that allows customers to better understand their driving habits by collecting and assessing data on behaviors, such as hard braking, rapid acceleration, speed, the time of day customers drive and distracted driving. *IntelliDrive*, which captures driving information for all enrolled drivers in the household for 90 days to determine their overall driving performance, allows customers to influence their auto insurance price according to how they drive. In most states, safe drivers can see savings of up to 30% on their auto premiums at renewal, as well as savings of up to 10% for new customers at the time of enrollment. In most states, riskier driving habits can result in higher premiums. In 2020, we introduced a number of significant enhancements to *IntelliDrive*. Our redesigned app allows customers to more easily monitor driving performance, challenges drivers to put their phones down while driving with the new “Distraction-Free Streak” and provides users with content from the [Travelers Institute Every Second Matters](#) initiative, including tips and advice to encourage safer driving behaviors. *IntelliDrive* is currently available in 43 states and Canada.

Building on the success of the *IntelliDrive* program, in 2021 Travelers introduced *IntelliDrivePlus*[™] in three states. *IntelliDrivePlus* is a continuous driving program that uses a smartphone app to capture data relating to driving behavior and miles driven and adjusts a customer's rate based on how and how much they drive. By enrolling, new customers could save up to 12% on their car insurance policy's first term. At renewal, safe driving habits can lead to savings of up to 30%, plus additional savings for lower mileage, while riskier driving and higher mileage could lead to higher premiums.

- **Everyday Safety.** Travelers Risk Control provides our customers and communities with risk management information applicable to a wide variety of everyday concerns. In a typical day, people encounter an array of risks, from driving a car to using a ladder to making an online purchase with a credit card, each of which has its own associated risks. Risk Control helps explain the risks we may face in our daily lives and provides practical insights on how to help reduce exposure to personal injury or property damage. Understanding everyday risks enables us to take actions to avoid or manage them. In addition to resources provided by Travelers Risk Control, the Travelers Institute addressed various health and safety issues through its [Wednesdays With Woodward](#)[®] webinar series, from [mental health issues](#) to [employee safety during COVID-19](#).

Environmental Responsibility

As a core part of our business, we continually monitor, assess and respond not only to the risks but also to the opportunities posed by changing climate conditions. As a result, we have identified several business opportunities associated with more environmentally friendly trends and provide products and product features that address our customers' evolving needs and incentivize responsible environmental behavior, while being priced to meet our long-term financial objectives.

- **Discounts.** We offer discounts where permissible to incentivize environmentally responsible behavior – specifically, to encourage adoption of FORTIFIED Home[™] construction, green buildings and hybrid-electric vehicles. For example, customers in Personal Insurance can save up to 5% for homes that are Leadership in Energy and Environmental Design (LEED) certified. Additionally, we offer Personal Insurance customers a discount if they own or lease a hybrid or electric vehicle. We also offer a discount of up to 10% for hull and liability coverages on hybrid boats and yachts, as well as a discount of up to 10% for electric boats run by motors instead of engines – in each case, available in certain states and subject to individual eligibility. Furthermore, in many states, our newest homeowners program offers a discount of up to 18% on hurricane premium for homes built to the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED Gold[™] standard. In Alabama, depending on the location, the discount can be up to 55% on hurricane premium for this designation.
- **Green Building Coverages.** For our Business Insurance customers, Travelers offers multiple options for green building coverages. One example, Travelers Deluxe[®] property insurance, offers “Green Building Alternatives – Increased Cost” coverage to pay for additional costs incurred to repair or replace damaged buildings using “green” products and materials.
- **Global Renewable Energy Practice.** Travelers' deep knowledge of renewable energy risks means we can deliver a full range of tailored coverage solutions for businesses across the renewables spectrum, from the investors and developers to operations and maintenance of commercial and utility-scale operations. As the renewable energy industry, domestically and internationally, continues to expand, this practice analyzes industry trends, market data and loss trends to design and develop insurance products tailored to specific needs of renewable energy businesses. For example, our proprietary WindPak[®] and SolarPak[®] insurance products respond to unique coverage issues for the wind and solar industries.

- Sponsorships and Partnerships.** Travelers sponsors the IBHS, the BuildStrong Coalition, Habitat for Humanity®, SBP and the Wharton Risk Center to promote stronger building codes and more resilient communities and to influence industry standards and best practices. We participate on the board of IBHS, an independent, nonprofit, scientific research organization supported by the insurance industry. IBHS translates top-tier research into action to strengthen homes and businesses, inform the insurance industry and increase community resiliency. Over the last decade, IBHS has identified gaps through full-scale laboratory testing at its state-of-the-art facility and has influenced changes to existing building code standards and best practices to mitigate potential losses. Through our research partnership with IBHS, we have gained a better understanding of severe wind, hail and fire impacts on building engineering standards. Better science, testing and understanding lead to improved building codes and standards. The IBHS FORTIFIED™ building code standards were developed based on full-scale performance testing in the laboratory. As noted earlier, at Travelers, mitigation discounts are available in many states for homes designated as FORTIFIED by IBHS.
- Educational Resources and Real-Time Tips.** Through the [Prepare & Prevent](#) section of our corporate website, we provide customers, agents and brokers and the general public with extensive educational resources to help them plan for, stay safe during and recover from natural disasters of all types. Business Insurance customers, agents and brokers can access our collection of more than 1,000 safety and loss control resources on the *MyTravelers* for Business site. We also provide real-time weather alerts, bulletins and mitigation tips to our clients prior to and during events.

Environmental Risk Exposure

FN-IN-450a.1

Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes

We use various analyses and methods, including proprietary and third-party modeling processes, to make underwriting and reinsurance decisions designed to manage our exposure to catastrophic events. There are no industry-standard methodologies or assumptions for projecting catastrophe exposure. Accordingly, catastrophe estimates provided by different insurers may not be comparable.

We actively monitor and evaluate changes in third-party models and, when necessary, calibrate the catastrophe risk model estimates delivered via our own proprietary modeling processes. We consider historical loss experience, recent events, underwriting practices, market share analyses, external scientific analyses and various other factors, including non-modeled losses, to refine our proprietary view of catastrophe risk. These proprietary models are updated regularly as new information and techniques emerge.

The table below sets forth the probabilities that estimated losses, comprising claims and allocated claim adjustment expenses (but excluding unallocated claim adjustment expenses), from a single event occurring in a one-year timeframe will equal or exceed the indicated loss amounts (expressed in dollars, net of tax, and as a percentage of the Company's common equity), based on the proprietary and third-party models utilized by the Company. For example, on the basis described below the table, the Company estimates that there is a one percent chance that the Company's loss from a single U.S. and Canadian hurricane in a one-year timeframe would equal or exceed \$2.0 billion, or 8% of the Company's common equity at December 31, 2021.

LIKELIHOOD OF EXCEEDANCE ^[2]	DOLLARS (IN BILLIONS)		PERCENTAGE OF COMMON EQUITY ^[1]	
	SINGLE U.S. AND CANADIAN HURRICANE	SINGLE U.S. AND CANADIAN EARTHQUAKE	SINGLE U.S. AND CANADIAN HURRICANE	SINGLE U.S. AND CANADIAN EARTHQUAKE
2.0% (1-in-50)	\$1.5	\$0.5	6%	2%
1.0% (1-in-100)	\$2.0	\$0.7	8%	3%
0.4% (1-in-250)	\$2.5	\$1.2	9%	4%
0.1% (1-in-1,000)	\$6.4	\$1.7	24%	6%

[1] The percentage of common equity is calculated by dividing (a) indicated loss amounts in dollars by (b) total common equity excluding net unrealized investment gains and losses, net of taxes, included in shareholders' equity. Net unrealized investment gains and losses can be significantly impacted by both discretionary and other economic factors, and are not necessarily indicative of operating trends. Accordingly, the Company's management uses the percentage of common equity calculated on this basis as a metric to evaluate the potential impact of a single hurricane or single earthquake on the Company's financial position for purposes of making underwriting and reinsurance decisions.

[2] An event that has, for example, a 2% likelihood of exceedance is sometimes described as a "1-in-50 year event." As noted above, however, the probabilities in the table represent the likelihood of losses from a single event equaling or exceeding the indicated threshold loss amount in a one-year timeframe, not over a multi-year timeframe. Also, because the probabilities relate to a single event, the probabilities do not address the likelihood of more than one event occurring in a particular period, and, therefore, the amounts do not address potential aggregate catastrophe losses occurring in a one-year timeframe.

The threshold loss amounts in the table above, which are based on the Company's in-force portfolio at December 31, 2021, and catastrophe reinsurance program at January 1, 2022, are net of reinsurance, after-tax and exclude unallocated claim adjustment expenses, which historically have been less than 10% of loss estimates. For further information regarding the Company's reinsurance, see "Item 1 – Business – Reinsurance" in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2021. The amounts for hurricanes reflect U.S. and Canadian exposures and include property exposures, property residual market exposures and an adjustment for certain non-property exposures. The hurricane loss amounts are based on the Company's catastrophe risk model estimates and include losses from the hurricane hazards of wind and storm surge. The amounts for earthquakes reflect U.S. and Canadian property and workers compensation exposures. The Company does not believe that the inclusion of hurricane or earthquake losses arising from other geographical areas or other exposures would materially change the estimated threshold loss amounts.

Catastrophe modeling relies upon inputs based on experience, science, engineering and history. These inputs reflect a significant amount of judgment and are subject to changes, which may result in volatility in the modeled output. Catastrophe modeling output may also fail to account for risks that are outside the range of normal probability or are otherwise unforeseeable. Catastrophe modeling assumptions include, among others, the portion of purchased reinsurance that is collectible after a catastrophic event, which may prove to be materially incorrect. Consequently, catastrophe modeling estimates are subject to significant uncertainty. In the table above, the uncertainty associated with the estimated threshold loss amounts increases significantly as the likelihood of exceedance decreases. In other words, in the case of a relatively more remote event (e.g., 1-in-1,000), the estimated threshold loss amount is relatively less reliable. Actual losses from an event could materially exceed the indicated threshold loss amount. In addition, more than one such event could occur in any period.

Moreover, Travelers is exposed to the risk of material losses from coverages other than property and workers compensation arising out of hurricanes and earthquakes, and it is exposed to catastrophe losses from perils other than hurricanes and earthquakes, such as tornadoes and other windstorms, hail, wildfires, severe winter weather, floods, tsunamis, volcanic eruptions, solar flares and other naturally occurring events, as well as terrorism and cyber events.

In addition, compared to models for hurricanes, models for earthquakes are less reliable due to there being a more limited number of significant historical events to analyze, while models for tornadoes, hail storms, wildfires and winter storms are newer and may be less reliable due to the highly random geographic nature and size of these events. Accordingly, these models may be less accurate in predicting risks and estimating losses. Further, changes in climate conditions could cause our underlying modeling data to be less predictive, thus limiting our ability to effectively evaluate and manage catastrophe risk. In addition, models for some events are either in early stages of development and, therefore, not widely adopted or are not yet available.

For more information about Travelers' exposure to catastrophe losses, see our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2021, under "Item 1A – Risk Factors – High levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas, could materially and adversely affect our results of operations, our financial position and/or liquidity, and could adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance" and "Item 1A – Risk Factors – We may be adversely affected if our pricing and capital models provide materially different indications than actual results."

FN-IN-450a.2

Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)

We do not separately identify our losses by modeled and non-modeled catastrophes, as we do not believe this categorization is meaningful to our business. We do not view catastrophe

peril modeling as binary (modeled versus non-modeled). Available models have widely varying levels of maturity and sophistication, making it impossible to determine when a particular process is developed enough to qualify as a model or, conversely, is too immature to qualify as a model.

Our approach to evaluating catastrophe risk takes into account "models" along the entire continuum, from the most mature and sophisticated models to those that are in the earliest stage of development. In each case, we also utilize our own data and analytics and apply our informed judgment and expertise in our underwriting, pricing and capital management decisions.

Travelers defines a "catastrophe" as an event:

- That is 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; and
- For which the Company's estimates of its ultimate losses before reinsurance and taxes exceed a pre-established dollar threshold.

Our 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 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 Travelers. Additionally, an aggregate threshold is applied for International business across all reportable segments. The threshold for 2021 ranged from approximately \$20 million to \$30 million of losses before reinsurance and taxes.

The following table presents the amount of losses recorded by Travelers for significant catastrophes that occurred in 2021, 2020 and 2019; the amount of net unfavorable (favorable) prior year reserve development recognized in 2021 and 2020 for catastrophes that occurred in 2020 and 2019; and the estimate of ultimate losses for those catastrophes at December 31, 2021, 2020 and 2019. For purposes of the table, a significant catastrophe is an event for which we estimate our ultimate losses will be \$100 million or more after reinsurance and before taxes.

(IN MILLIONS, PRE-TAX AND NET OF REINSURANCE) ^[1]	LOSSES INCURRED / UNFAVORABLE (FAVORABLE) PRIOR YEAR RESERVE DEVELOPMENT FOR THE YEAR ENDED DECEMBER 31,			ESTIMATED ULTIMATE LOSSES AT DECEMBER 31,		
	2021	2020	2019	2021	2020	2019
2019 PCS Serial Number:						
33 – Severe wind storms	(9)	8	250	249	258	250
61 – Severe wind storms and tornadoes	(13)	8	109	104	117	109
2020 PCS Serial Number:						
16 – Tennessee tornado activity	(9)	151	n/a	142	151	n/a
19 – Severe storms	(9)	134	n/a	125	134	n/a
20 – Severe storms	(25)	165	n/a	140	165	n/a
33 – Civil unrest	(7)	100	n/a	93	100	n/a
44 – Tropical Storm Isaias	(22)	140	n/a	118	140	n/a
46 – Midwest derecho	(10)	212	n/a	202	212	n/a
68 – California wildfire – Glass fire ^[2]	(9)	145	n/a	136	145	n/a
2021 PCS Serial Number:						
15 – Winter storms	228	n/a	n/a	228	n/a	n/a
17 – Winter storms	508	n/a	n/a	508	n/a	n/a
29 – Severe wind storms	105	n/a	n/a	105	n/a	n/a
60 – Hurricane Ida	417	n/a	n/a	417	n/a	n/a
76 – Tornado outbreak	131	n/a	n/a	131	n/a	n/a

[1] Amounts are reported pre-tax and net of recoveries under all applicable reinsurance treaties, except for the Company's 2021, 2020 and 2019 Underlying Property Aggregate Catastrophe Excess-of-Loss Treaties. Those treaties covered the accumulation of certain property losses arising from one or multiple occurrences (both catastrophe and on-catastrophe events) for the period January 1, 2021, through and including December 31, 2021, and the period January 1, 2020, through and including December 31, 2020, and the period January 1, 2019 through and including December 31, 2019, respectively. As a result, the benefits from those treaties are not included in the table as the allocation of the treaties' benefit to each identified catastrophe changes each time there are additional events or changes in estimated losses from any covered event.

[2] In addition to the Glass fire, there were 16 other PCS-designated wildfires in 2020. While none of the 16 wildfires were individually large enough to meet the Company's threshold for disclosure as a significant catastrophe in this table, total losses in 2020 from those wildfires were \$169 million, of which two wildfires totaling \$73 million met the Company's threshold for disclosure as catastrophes.

Travelers does not have geographic segments and, therefore, does not break down policy losses and benefits expenses by geographic segment. The following table, however, summarizes the geographic distribution of our consolidated direct written premiums for the year ended December 31, 2021:

LOCATION	% OF TOTAL
Domestic:	
California	10.5%
New York	8.8%
Texas	8.0%
Pennsylvania	4.2%
Florida	4.1%
New Jersey	3.8%
Illinois	3.8%
Georgia	3.7%
Massachusetts	3.0%
All other domestic ^[1]	43.6%
Total Domestic	93.5%
International:	
Canada	3.8%
All other international	2.7%
Total International	6.5%
Consolidated total	100.0%

[1] No other single state accounted for 3.0% or more of the Company's consolidated direct written premiums written in 2021.

FN-IN-450a.3

Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy

For information responsive to FN-IN-450a.3, please see our [2021 TCFD Report](#).

Systemic Risk Management

FN-IN-550a.1

Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearing house and (3) total potential exposure to centrally cleared derivatives

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates (inclusive of credit spreads), foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The following is a discussion of our primary market risk exposures and how those exposures are managed as of December 31, 2021. Our market risk sensitive instruments, including derivatives, are primarily entered into for purposes other than trading.

The carrying value of our investment portfolio at December 31, 2021 and 2020, was \$87.38 billion and \$84.42 billion, respectively, of which 89% and 88% were invested in fixed maturity securities, respectively. At December 31, 2021 and 2020, approximately 6.8% and 6.6%, respectively, of our invested assets were denominated in foreign currencies. Our exposure to equity price risk is not significant. Travelers has no direct commodity risk and is not a party to any credit default swaps.

The primary market risks to the investment portfolio are interest rate risk and credit risk associated with investments in fixed maturity securities. The portfolio duration is primarily managed through cash market transactions and treasury futures transactions.

The primary market risk for all of our debt is interest rate risk at the time of refinancing. Travelers monitors the interest rate environment and evaluates refinancing opportunities as maturity dates approach.

Our foreign exchange market risk exposure is concentrated in our invested assets, insurance reserves and shareholders' equity denominated in foreign currencies. Cash flows from our foreign operations are the primary source of funds for the purchase of investments denominated in foreign currencies. Travelers purchases these investments primarily to fund insurance reserves and other liabilities denominated in the same currency, effectively reducing its foreign currency exchange rate exposure. Invested assets denominated in the Canadian dollar comprised approximately 4.2% of the total invested assets at both December 31, 2021 and 2020. Invested assets denominated in the British Pound Sterling comprised approximately 2.1% and 1.8% of total invested assets at December 31, 2021 and 2020, respectively. Invested assets denominated in other currencies at December 31, 2021 and 2020 were not material.

There were no significant changes in our primary market risk exposures or in how those exposures were managed for the year ended December 31, 2021, compared to the year ended December 31, 2020. Travelers does not currently anticipate significant changes in its primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Derivative Financial Instruments

From time to time, Travelers enters into U.S. Treasury note futures contracts to modify the effective duration of specific assets within the investment portfolio.

U.S. Treasury futures contracts require a daily mark-to-market and settlement with the broker. At December 31, 2021 and 2020, Travelers had no open U.S. Treasury futures contracts. Net realized investment gains and losses related to U.S. Treasury futures contracts in 2021, 2020 and 2019 were not significant.

Travelers has a put/call option that was entered into in connection with a business acquisition that allows the Company to acquire the remaining shares of the acquired company at a future date. Net realized investment gains and losses related to this put/call option in 2021, 2020 and 2019 were not significant.

Travelers also sells a small amount of U.S. equity index put option contracts that are settled for cash upon their expiration or when they are rolled over. Net realized investment gains and losses related to these derivatives in 2021, 2020 and 2019 were not significant.

FN-IN-550a.2

Total fair value of securities lending collateral assets

Travelers has, from time to time, engaged in securities lending activities from which it generates net investment income by lending certain of its investments to other institutions for short periods of time. At December 31, 2021 and 2020, Travelers had \$253 million and \$139 million of securities on loan, respectively, as part of a tri-party lending agreement. The average monthly balance of securities on loan during 2021 and 2020 was \$329 million and \$254 million, respectively.

Borrowers of these securities provide collateral equal to at least 102% of the market value of the loaned securities plus accrued interest. We did not incur any investment losses in our securities lending program for the years ended December 31, 2021 and 2020.

FN-IN-550a.3

Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities

Travelers Enterprise Risk Management (ERM) activities involve both the identification and assessment of a broad range of risks and the execution of coordinated strategies to effectively manage such risks. The ERM process also includes the determination of our risk capital needs, which takes into account regulatory requirements and credit rating considerations, in addition to economic and other factors. ERM at Travelers is an integral part of our business operations. All risk owners across all functions, all corporate leaders and the Board of Directors are engaged in ERM. ERM involves risk-based analytics, as well as reporting and feedback throughout the enterprise, in support of our long-term financial strategies and objectives.

Our ERM framework includes five types of noninsurance entities: (1) the ultimate parent holding company and the intermediate holding companies, (2) the servicing companies for the group's operational activities, (3) providers of insurance-related services, (4) managing general agents for certain of our insurance entities and (5) investment holding companies. These entities all relate to the insurance operations and are not considered to be material sources of risk to the enterprise.

Travelers uses various analyses and methods, including proprietary and third-party modeling processes, to make underwriting and reinsurance decisions designed to manage the Company's exposure to catastrophic events.

In addition to catastrophe modeling and analysis, Travelers also models and analyzes the Company's exposure to other extreme events. We also utilize proprietary and third-party modeling processes to evaluate capital adequacy. These analytical techniques are an integral component of our ERM process and further support our long-term financial strategies and objectives.

Activity Metric

FN-IN-000.A

Number of policies in force, by segment

In 2020, we updated our presentation of certain statistical data for our Personal Insurance Automobile and Personal Insurance Homeowners and Other product lines to include the results of Direct-to-Consumer and International, including selected policies-in-force data on a quarterly basis. The updated information regarding our policies in force for 2020 and 2021 is disclosed in the tables below.

PERSONAL INSURANCE: AUTOMOBILE								
TOPIC	1Q '20	2Q '20	3Q '20	4Q '20	1Q '21	2Q '21	3Q '21	4Q '21
Policies in force (in thousands)	2,970	2,993	3,015	3,029	3,056	3,098	3,141	3,179
Change from prior year quarter	(0.4)%	0.4%	1.2%	1.9%	2.9%	3.5%	4.2%	5.0%
Change from prior quarter	(0.1)%	0.8%	0.7%	0.5%	0.9%	1.4%	1.4%	1.2%

PERSONAL INSURANCE: HOMEOWNERS AND OTHER LINES								
TOPIC	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21
Policies in force (in thousands)	5,534	5,679	5,790	5,858	5,944	6,076	6,168	6,230
Change from prior year quarter	7.2%	7.9%	8.0%	7.6%	7.4%	7.0%	6.5%	6.4%
Change from prior quarter	1.7%	2.6%	2.0%	1.2%	1.5%	2.2%	1.5%	1.0%

The number of policies in force is not an activity metric we use for the insurance coverages we sell to businesses, as this measure is not a meaningful metric for coverages that are sold and managed on an account or customer relationship basis. Instead, we provide data regarding our retention, renewal premium change and new business statistics for our relevant business groups.

We do not use policies in force for our Business Insurance and certain Bond & Specialty Insurance customers, as we manage these relationships on an account basis. Additionally, we do not provide policies-in-force statistics for our surety business, as surety products are generally sold on a nonrecurring, project-specific basis.

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Important Legal Information

This report contains information about Travelers. Travelers disclaims any duty or obligation to update such information. Any “forward-looking statement” is made only as of the date such information was originally prepared by Travelers and is intended to fall within the safe harbor for forward-looking information provided in 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,” “estimates” and similar expressions are used to identify these forward-looking statements. These statements include, among other things, statements about our future results of operations and financial condition; our share repurchases and dividends; our strategy and competitive advantages; our strategic and operational initiatives to improve profitability and competitiveness; our new product offerings; our innovation agenda; our investment portfolio; our risk management, including climate-related risks and opportunities; our catastrophe modeling, including statements about probabilities or likelihood of exceedance; our scenario analyses; our cybersecurity, business resiliency and data privacy; our underwriting strategy; and our carbon footprint. Results may differ materially from those expressed or implied by forward-looking statements. Factors that can cause results to differ materially include those described under “Forward Looking Statements” in the Corporation’s most recent Form 10-K and Form 10-Qs filed with the Securities and Exchange Commission and linked in this report, and with respect to our scenario analyses, those factors described under “Climate Scenario Analysis With Respect to the Hurricane Peril” and “Climate Scenario Analysis With Respect to Our Investment Portfolio” in Travelers TCFD Report included on this site.

This report may contain links to other internet sites and may frame material from other internet sites. Such links or frames are not endorsements of any products or services in such sites, and no information in such site has been endorsed or approved by Travelers.

Except where noted, the information covered in this report highlights our performance and initiatives in fiscal year 2021.

The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact of that additional information about Travelers, please see our filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

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