

Executive Update Call

Company Participants

- Alan D. Schnitzer
- Brian William MacLean
- Gabriella Nawi
- Jay Steven Fishman

Other Participants

- Jay H. Gelb
- Kai Pan
- Paul Newsome
- Sarah E. DeWitt

MANAGEMENT DISCUSSION SECTION

Operator

Good day and welcome to The Travelers Companies' Conference Call and Webcast. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Gabriella Nawi, Senior Vice President Investor Relations. The floor is yours.

Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Good afternoon and thank you all for joining us today on such short notice. By now, you have seen our announcement detailing our succession plan. And while we didn't need to arrange for a call, you all know us well enough to know that we're open in our communication to the Street, and so, it felt appropriate for you to hear directly from Jay Fishman, Alan Schnitzer and Brian MacLean. After they speak, we'll give you the opportunity to ask a few questions, although we will keep it brief.

And now, Jay Fishman.

Jay Steven Fishman {BIO 1933251 <GO>}

Thank you, Gaby. Well, good afternoon everybody and thank you for joining us today. As you know, we prepare for these calls with a fair amount of diligence. But to go off-piste for a second, Alan Schnitzer taught me a while ago that the day breaks down into two

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portions: There's the caffeine portion and the alcohol portion. And I'm sitting here with a glass of wine and we are well into the alcohol portion here. So, off and running.

Look, by now, I'm sure you've all read the announcement that went out earlier regarding our leadership changes. Effective December 1, Alan is going to succeed me as our Chief Executive Officer, and he will also be elected to Travelers' Board of Directors at that date. Following his assumption of the CEO role, I will remain Executive Chairman. Alan is a terrific business person, and all of Travelers' constituents are going to benefit from his thoughtful judgment, his keen intellect and his leadership skill.

As for me, as I said, my plan is to remain with the company as Executive Chairman for the foreseeable future. I love this company and for me, there's no better way to spend my time productively and with great satisfaction. I assure you this will not be an absentee role. I will be on-site, continuing to do the things I believe add real value, participating as a member of the senior management team, and providing guidance and assistance as the company begins this next chapter.

Some of you may be wondering why now and why today? Specifically, I'd like to assure everyone that there has been no recent change in my health. And I would guess that those who have seen me in the last several weeks will attest to my energy, focus and great continued passion for all that is Travelers.

Since I learned that I was dealing with something more serious than a bad back, I've been regularly discussing my circumstance with our board of directors and have continued to focus on organizational succession with the same detail and seriousness that we always have. Nothing about my health changed, either the board's view or my own view of our obligation to handle succession in a thoughtful responsible way.

I will be 63 in November, so even absent any health issue, this was the topic that was getting regular attention by me and by our board.

More recently, I've spoken with our lead director on several occasions about the timing of the transition, and we determined that a regularly scheduled meeting of the board of directors in person was the right place to finalize and take the actions necessary to begin succession. That conversation occurred earlier today, and the board has taken the actions that I've discussed with them for some time.

We decided to host this call to demonstrate the thoughtfulness and serious intention that this most critical matter has received by all of us. We all thought it important to make the announcement while I was still able to do the job at my own standards and that it would be apparent to all of our constituents that we have planned this thoughtfully and not in response to an unanticipated event.

I've spoken before of just how much pride I have in what this organization has accomplished, and I couldn't have any greater pride in our track record than I do today. I have also joked many times that underwriters become damaged with age, that eventually, there's just no risk left you'll write. And I recognized that over all these years, I've

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accumulated a little of that underwriting scar tissue myself, and so one of the great joys of succession is that someone else with a little less scar tissue can see the world in a little more opportunistic way. Alan will bring that to this job and it is a perspective that will be very helpful. Importantly, there's enough infrastructure and culture embedded here to make sure that we don't forget some of the painful lessons we've learned in the past.

Alan really is a leader of extraordinary talent and judgment and versatility and heart. He has earned a respect of our board, our people, our agent and brokers and for his deep understanding of our business, his keen insight and his very strong leadership. Alan is the ideal executive to lead Travelers in its next chapter, and I am really proud to continue working alongside him and the rest of our outstanding senior management team.

And with that, let me turn it over to Brian.

Brian William MacLean {BIO 4679150 <GO>}

Thanks, Jay. So Jay spoke of the love and the pride he has in what this organization is and what it's accomplished. I can assure you that I and many others share that same affection and sense of pride.

For over a decade, I, along with Jay Benet, Bill Heyman, Doreen Spadorcia and many others have had the great privilege of working under Jay's direction. Over that same time period, we've been working with Alan and for the last eight years directly alongside him here at Travelers. Together, we've all helped build this company into something special, and I believe the stability and comradery of this group has played a meaningful part in making us who we are today.

As Jay said, he's been very transparent in this process. All along, Jay has been open with us, his partners, as well as the board of directors. We've all been with the company a very long time and we understand the importance of continuity and ensuring a smooth succession plan. The transition of the CEO responsibilities is obviously a critical step in that plan, and I know that Alan is the right person for the job. We've all benefited greatly from his insight, his judgment and strategic thinking, and we are confident that he will do a fabulous job leading this organization. We, and in this regard I'm speaking for myself, Jay Benet, Bill Heyman and Doreen Spadorcia, are all deeply invested in this company, both financially and personally, and we're all committed to its continued success.

We are all enthusiastically looking forward to continuing in our roles and working together as a team with Alan to position this company for the future. Completing this succession process is critical for the company, and we're all really excited about being a part of it.

And with that, let me turn it over to Alan.

Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you, Brian, and thank you, Jay, and good afternoon everyone. Thanks for joining on such short notice. In response to Brian's comments, I'd point out that among Brian, Jay

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Benet, Bill Heyman and Doreen, the shortest tenure among them at Travelers is 23 years. And together, they have more than 100 years at Travelers. They're the best in the business at what they do, and I'm grateful for their partnership.

This call is obviously not the usual quarterly earnings call and probably not typical for this circumstance. But as Gaby pointed out in her introduction, we decided to host the call in the interest of being open and accessible. To that end, I'd like to take just a minute to tell you a little about what you can expect going forward.

But before I do that, I can't help but say a few words about Jay. As you've heard, he's not going anywhere. So it's not time to reflect on his career but just a quick comment. Travelers today is stronger than ever and I mean that in every which way; culturally, financially, our position in the marketplace and so on. And in no small measure, that success is due to Jay's outstanding leadership. Jay, of course, will dispute that and he'll mean it. He'll say it's an ensemble cast. We don't have any stars, and he's sort of right about that. The depth and breadth, experience and expertise of the talents around here is world class and probably our single biggest competitive advantage.

But that doesn't take away from the fact that Jay's leadership, which is clearly born out of his deep love for the business and this company, has been remarkable. I could recite the litany of Jay's great accomplishments. But, Jay, I just wanted to take a minute to thank you publically for your extraordinary leadership of this company. No one is more pleased than I am that you're going to stick around, that you're not going anywhere.

With that, let me get back to what you can expect going forward. For the most part, you can expect business as usual. One of the great benefits of running a company within an ensemble cast is that the strategy is not when it's been imposed top-down. It's institutional. A return focused strategy, which starts with meaningful competitive advantages, which are highly valued by our agents, brokers and customers, and everything about the way we've executed on that strategy, has been developed and executed by team over many years. I and the rest of the senior team fully subscribe to it. It's not Jay's strategy; it's our strategy.

That's not to say that we don't challenge ourselves on a regular basis to make sure that the strategy and the way we're executing on it remains relevant. In a world the marketplace that's always changing, it's critical to reassess all the time. That's just part of the program around here.

So what can you expect? We remain committed to being open and accessible to all of you, to delivering superior returns over time for our shareholders, to delivering industry-leading products and services to our agents, brokers and customers and to making sure this is a great place to work for the best talent in the industry. I couldn't feel better about the trajectory that we're on or our ability to continue to deliver.

And with that, let me open it up for a few questions.

Q&A

Operator

Thank you, sir. We will now begin the question-and-answer session. The first question we have will come from Jay Gelb with Barclays. Please go ahead.

Q - Jay H. Gelb {BIO 21247396 <GO>}

Jay, I just want to congratulate you and your fantastic track record as CEO and also thank you for your leadership. Job well done.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Well, Jay, that's so nice of you to say. One of the great joys of being in this job for as long as I've been is that I get to work with so many of you for an extended period of time and get to know you a little bit and know how you look at the industry. And you're just a top-notch guy, and appreciate always your engagement with us, the questions you ask. Thank you for the comment, and I'm just pleased to continue to be a part of the place.

Q - Jay H. Gelb {BIO 21247396 <GO>}

Great to hear. Best of luck to you too, Alan.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thanks, Jay.

Operator

Next we have Paul Newsome of Sandler O'Neill.

Q - Paul Newsome {BIO 1541286 <GO>}

I too want to give my absolute congratulations to you, Jay. I think the other Jay is right, it's been a wonderful track record, and it's been great to watch it from the outside. And Alan, congratulations, you're getting a big seat. And Jay, this is a little bit personal but my father has ALS. So, I have a little bit of sense of what you're going through. And I know the community here and personally, our hearts and thoughts are with you and we hope that the progression is very slow and you're around for a very long time.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Thank you, Paul. I'm sorry for your family's aggravation. I just decided early on. Once you get over the dynamic of how horrible it is, you get to, okay, how we - what are we going to do today? What are we going to do today and how are we going to make it a good day? And that's just the approach I've taken and at least so far so good.

I'm blessed that I've been able to be supported by a remarkable place around here, work - someone - I'll wax personally for a second - someone anonymously sent a note that

said, gee, why don't you want to be with your family and why do you want to even continue doing this? And as I reflected on it, this is my family. It's not my only family, but it's a real important part of it. And it's where I've spent most of the hours for the last 20-odd years and made good friends. And it's just been spectacular. Where else would I want to spend that time? It's just this is the right place for me. So again, I'm sorry for your family's aggravation and please send my regards to your father. I hope he continues to do well and be safe.

Q - Paul Newsome {BIO 1541286 <GO>}

Well, thank you very much. And as I know that - from my own studies of this, the mind stays sharp throughout the whole process. So, I'm sure that Travelers will continue to benefit from that. I actually have a real question. I mean as you think about your transition, as the group transitions, do you think this - what should we expect as the team changes and it falls over time? Maybe Alan has some thoughts on that.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. I'll take that and then I'll go back to my prepared remarks. This really is an institutional strategy that we have and we've been executing on. And it's not off the moment, it's over many years and it's been thought through, it's evolved, it continues to evolve. And it will change, but it would have changed anyway, right? It would have changed because the marketplace changes, the world changes and we'll continue to be at the forefront of that, and we'll be bold and creative and thoughtful. And we'll take on the challenges of the marketplace in all the ways you'd expect a great leadership team to do that.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Paul, I've encouraged Alan it's - and it's a line we use in our annual report, but it's genuine: What's critical is to be relevant not reverent. I'll give full credit to George Balanchine for that. But just because somethings been the right course of action for the past 10 years, doesn't relieve us of the responsibility to challenge how to be successful over the next 10 years. It should never be a passive strategy but an active one. After looking at all the opportunities and the marketplace circumstances, we should come to the conclusion of the best way to create shareholder value.

We started on this mission in 2004 when a group of us got together and asked a very basic question, why should someone own our stock? And that's a question that changes from time-to-time. The answer changes. Question's always the same; the answer changes. And I've just encouraged Alan and the rest of the team here to continue to challenge the assumptions and make sure that we're being as thoughtful as we can to build shareholder value.

A - Brian William MacLean {BIO 4679150 <GO>}

Paul, this is Brian. I'm just going to chime in with some thoughts. And I've been here a really long time. As I said in my comments, I think it's a special place and a big part of that is the commitment that the leadership team has here. And I think Jay Benet's the best CFO in the industry. I think Bill Heyman's the best CIO in the business. Doreen is the best

operator I've ever seen and humbles me every day in watching her drive change and advance this organization. And I can tell you, we're all excited. You can read the proxy and you can find our ages, and we're not all going to be here forever. But we are enthusiastically here today and embracing the roles and looking forward to continuing to work with Jay and looking forward to being led by Alan into the next era of this company. So I can assure you, an excited team.

Q - Paul Newsome {BIO 1541286 <GO>}

Thank you. Fantastic. Congratulations on succession, well done.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Thank you, Paul.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Next question please.

Operator

Yes, ma'am. It comes from Sarah DeWitt of JPMorgan.

Q - Sarah E. DeWitt {BIO 18946247 <GO>}

Hi. I'd also like to reiterate, Jay, congratulations on a great job over the years. And Alan, congratulations as well on your new role. I just wanted to ask a question on the earnings call, it sounded like you were interested in large acquisitions. But now with a new CEO, does that change your approach at all to a large scale M&A?

A - Jay Steven Fishman {BIO 1933251 <GO>}

I should defer to my CEO here and ask him to answer the question. But I'd make this observation. I think there was a almost an overreaction to a question that we answered on that earnings call. The answer was actually no different than it's ever been, which is I've always said, we look at anything and everything. And if there's a rumor around that we're looking at it, it's probably a good assumption that we are. We think of ourselves as having a terrific M&A skill base. We've demonstrated that. That's not observational; it's substantive. It's based upon transactions done and successfully integrated best in the industry.

And so, our orientation has always been to view them as opportunistic and see if we can add value. But I've also always said, we've always said, the bar is pretty high and in the sense that we do believe that returns matter. And we are the highest returning company in the industry, and you got to pay a premium for someone else. It gets tough to make sense of it. So we couldn't care less about being bigger for bigger sake. We'd like to be bigger if it changes either our growth trajectory or our return opportunity or the return volatility gets lower.

But just to do a transaction to do a transaction – way too much risk with our shareholders' money, and I got to make sense out of it and let everyone understand why it makes sense. And so there's not all that much change, but it's certainly in the environment that we're in now – got a lot more coverage than I had contemplated it would.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah, Sarah, I'll just add that I think Jay has given you the same answer he's given you for a long time, and that's the same answer everybody should expect going forward. Our shareholders should demand that we know what's available in the marketplace. They should demand that we know what might be available, what would add value to our shareholders. And we will continue to work hard at that. When there's a transaction out there and we think it contributes to a great shareholder value, we'll make every effort to get it done.

Q - Sarah E. DeWitt {BIO 18946247 <GO>}

Great. Thank you and best of luck.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Thank you, Sarah.

A - Gabriella Nawi {BIO 2211991 <GO>}

And the next will be our last question, please.

Operator

Yes, ma'am. And that'll come from Kai Pan of Morgan Stanley.

Q - Kai Pan {BIO 18669701 <GO>}

Well, first is thank you very much for the call. And Jay, it's good to hear you in such a high spirit, in such a historical day for both of the company as well for the industry. You've been wonderful for all the stakeholders over the years. Thank you very much.

A - Jay Steven Fishman {BIO 1933251 <GO>}

Well, thank you, Kai. Honest to God, it's been a privilege, and I've been fortunate to have been in the right place at the right time is honestly how I feel about it. So, thank you for your comment.

Q - Kai Pan {BIO 18669701 <GO>}

Yeah. Alan, congratulations and you're inheriting a great franchise. I just want to see if you have some initial thought to see what area you will be focusing on for further

improvements of the franchise to make the brand to even higher level from here. That's a pretty high bar.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. Kai, thanks for that. The announcement is just out. It's a little early to start making strategic pronouncements. We'll continue to execute on the strategy. It'll largely be business as usual, and we'll look for all the opportunities to create shareholder value and do it better going forward. But it's a little early to get into specifics.

Q - Kai Pan {BIO 18669701 <GO>}

It's great. Wish you the best.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you very much.

A - Gabriella Nawi {BIO 2211991 <GO>}

That's great. Thank you all for joining us today, and we look forward to continuing to engage with you going forward. Have a great evening.

Operator

And we thank you ma'am and to the rest of the management team for your time today also. The conference call has now concluded. At this time, you may all disconnect your lines. Again, we thank you all for attending and have a great day.

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