

TRAVELERS COMPANIES, INC.
Form DEF 14A
April 10, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

The Travelers Companies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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 - (1) Amount Previously Paid:
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485 Lexington Avenue
New York, New York 10017

April 10, 2012

Dear Shareholders:

Please join us for The Travelers Companies, Inc. Annual Meeting of Shareholders on Wednesday, May 23, 2012, at 11:00 a.m. (Eastern Daylight Time) at the Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

Attached to this letter are a Notice of Annual Meeting of Shareholders and Proxy Statement, which describe the business to be conducted at the meeting. We also will report on matters of current interest to our shareholders.

At this year's meeting, you will be asked to (1) elect the 12 director nominees listed in the Proxy Statement, (2) ratify the appointment of our independent registered public accounting firm for 2012, (3) consider a non-binding vote to approve Travelers' executive compensation and (4) consider a shareholder proposal on political contributions and expenditures, if presented at the meeting. The Board of Directors recommends that you vote FOR items 1 through 3 and AGAINST item 4.

Your vote is important. Whether you own a few shares or many, and whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented and voted at the meeting. You may vote your shares by proxy on the Internet, by telephone or by completing, signing and promptly returning a proxy card, or you may vote in person at the Annual Meeting.

Thank you for your continued support of Travelers.

Sincerely,

Jay S. Fishman
Chairman of the Board and Chief Executive Officer

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PROXY VOTING METHODS

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If, at the close of business on March 26, 2012, you were a shareholder of record or held shares through Travelers 401(k) Savings Plan or through a broker or bank, you may vote your shares by proxy on the Internet, by telephone or by mail, or you may vote in person at the Annual Meeting. For shares held through a broker or nominee, you may vote by submitting voting instructions to your broker or nominee. To reduce our administrative and postage costs, we ask that you vote on the Internet or by telephone, both of which are available 24 hours a day. You may revoke your proxies or change your vote at the times and as described on page 4 of this Proxy Statement.

If you are a shareholder of record or hold shares through a broker or bank and are voting by proxy, your vote must be received by 11:59 p.m. (Eastern Daylight Time) on May 22, 2012 to be counted.

If you hold shares through Travelers 401(k) Savings Plan, your vote must be received by 11:59 p.m. (Eastern Daylight Time) on May 21, 2012 to be counted. Those votes cannot be changed or revoked after that time, and those shares cannot be voted in person at the Annual Meeting.

To vote by proxy:

BY INTERNET

- Go to the website www.proxyvote.com and follow the instructions, 24 hours a day, seven days a week.
- You will need the 12-digit number included on your Notice of Internet Availability of Proxy Materials or on your proxy card.

BY TELEPHONE

- From a touch-tone telephone, dial (800) 690-6903 and follow the recorded instructions, 24 hours a day, seven days a week.
- You will need the 12-digit number included on your Notice of Internet Availability of Proxy Materials or on your proxy card.

BY MAIL

- If you have not already received a proxy card, you may request a proxy card from us by following the instructions on your Notice of Internet Availability of Proxy Materials.
- When you receive the proxy card, mark your selections on the proxy card.

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- Date and sign your name exactly as it appears on your proxy card.
- Mail the proxy card in the postage-paid envelope that will be provided to you.

YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 23, 2012

11:00 a.m. Eastern Daylight Time

Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

ITEMS OF BUSINESS

1. Elect the 12 director nominees listed herein.
2. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2012.
3. Consider a non-binding vote to approve executive compensation.
4. Consider a shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting.
5. Consider such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

RECORD DATE

You may vote at the Annual Meeting if you were a shareholder of record at the close of business on March 26, 2012.

VOTING BY PROXY

To ensure your shares are voted, you may vote your shares on the Internet, by telephone or by completing a paper proxy card and returning it by mail. Internet and telephone voting procedures are described on the preceding page, in the General Information section beginning on page 1 of this Proxy Statement and on the proxy card.

By Order of the Board of Directors,

Matthew S. Furman
Senior Vice President and
Corporate Secretary

*This Notice of Annual Meeting and Proxy Statement are being distributed
or made available, as the case may be, on or about April 10, 2012.*

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PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 23, 2012
11:00 a.m. Eastern Daylight Time

Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

GENERAL INFORMATION

Why am I being provided with these materials?

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We are providing this Proxy Statement to you in connection with the solicitation by the Board of Directors (the Board) of The Travelers Companies, Inc. (the Company or Travelers) of proxies to be voted at our Annual Meeting of Shareholders to be held on May 23, 2012 (Annual Meeting), and at any postponements or adjournments of the Annual Meeting. We have either

(1) delivered to you a Notice of Internet Availability of Proxy Materials (the Notice) and made these proxy materials available to you on the Internet, or (2) delivered printed versions of these materials, including a proxy card, to you by mail. You are also invited to attend the meeting and vote your shares in person.

What am I voting on?

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There are four items scheduled to be voted on at the meeting:

- **Item 1:** Election of the 12 director nominees listed in this Proxy Statement;
- **Item 2:** Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012;

- **Item 3:** Non-binding vote to approve executive compensation; and
- **Item 4:** Shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting.

Who is entitled to vote?

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Shareholders as of the close of business on March 26, 2012 (the Record Date) may vote at the Annual Meeting. You have one vote for each share of common stock held by you as of the Record Date, including shares:

- Held directly in your name as shareholder of record (also referred to as registered shareholder);
- Held for you in an account with a broker, bank or other nominee (shares held in street name) street name holders generally cannot vote their shares directly and instead must instruct the broker, bank or nominee how to vote their shares; and
- Credited to your account in the Company s 401(k) Savings Plan.

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GENERAL INFORMATION

What constitutes a quorum?

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A majority of the shares of common stock entitled to vote must be present or represented by proxy to constitute a quorum at the Annual Meeting. Abstentions and shares represented by broker non-votes, as described below, are counted as present

and entitled to vote for purposes of determining a quorum. On the Record Date, 390,585,629 shares of the Company's common stock were outstanding, and each share is entitled to one vote at the Annual Meeting.

How many votes are required to approve each item?

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Each director shall be elected at the Annual Meeting by the vote of a majority of the votes cast with respect to the director. A majority of the votes cast with respect to election of a director means that, of the votes cast by the holders of all the then outstanding shares of voting stock of the Company, those votes cast FOR a director must exceed the votes cast AGAINST that director. In an uncontested election of directors at which a quorum is present, if any nominee for director receives a greater number of votes AGAINST his or her election than votes FOR such election, our Governance Guidelines require that such person must promptly tender his or her resignation to the Board following certification of the shareholder vote. Our Governance Guidelines further provide that the Nominating and Governance Committee will then consider the tendered resignation and make a recommendation to the Board as to whether to accept or reject the tendered resignation or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating and Governance Committee's

recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. Cumulative voting in the election of directors is not permitted.

Shareholder approval of each of the other proposals, including the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012, the proposal to approve executive compensation and the shareholder proposal regarding political contributions and expenditures, if presented at the Annual Meeting, requires an affirmative vote equal to the greater of (1) a majority of the votes represented in person or by proxy at the Annual Meeting that are entitled to vote on the item and (2) a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting. See the particular proposal in this Proxy Statement for a description of the effect of a particular voting outcome with respect to that proposal.

What is a broker non-vote and how does it affect voting on each item?

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A broker non-vote occurs if you hold your shares in street name and do not provide voting instructions to your broker on a proposal and your broker does not have discretionary authority to vote on such proposal. Under current New York Stock Exchange (NYSE) rules, your broker will not have discretion to vote your uninstructed shares with respect to Item 1 (election of the 12 director nominees listed in this Proxy

Statement), Item 3 (non-binding vote to approve executive compensation) and Item 4 (shareholder proposal on political contributions and expenditures), if presented at the Annual Meeting. Your broker will have discretion to vote your uninstructed shares on Item 2 (ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012).

How are votes counted?

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With respect to the election of directors, you may vote FOR or AGAINST each of the nominees for the Board, or you may WITHHOLD authority to vote for one or more nominees. A WITHHOLD vote and a broker non-vote will have the same effect as an abstention and will not count as a vote FOR or AGAINST a director.

With respect to the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012, the non-binding vote to approve executive compensation and the shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting, you may vote FOR , AGAINST or ABSTAIN . An abstention will have the same effect as a vote against

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GENERAL INFORMATION

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these items, and a broker non-vote will have no effect in determining whether these items are approved unless a majority of the voting power of the minimum number of shares entitled to vote that would constitute

a quorum at the Annual Meeting is required in order to approve, in which case, a broker non-vote will have the same effect as a vote against.

Who will count the vote?

Representatives of Broadridge Financial Solutions, Inc. will tabulate the votes, and representatives of American Election Services, LLC will act as inspectors of election.

How does the Board recommend that I vote?

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Our Board recommends that you vote your shares:

- FOR each of the nominees to the Board set forth in this Proxy Statement;
- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012;
- FOR the approval, on a non-binding basis, of the compensation of the named executive officers; and
- AGAINST the shareholder proposal relating to political contributions and expenditures.

If you are a registered holder and you sign and submit your proxy card without indicating your voting instructions, your shares will be voted as indicated above.

How do I vote my shares without attending the Annual Meeting?

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If you are a shareholder of record or hold shares through our 401(k) Savings Plan, you may vote by granting a proxy. Specifically, you may vote:

- *By Internet* If you have Internet access, you may submit your proxy by going to www.proxyvote.com and by following the instructions on how to complete an electronic proxy card. You will need the 12-digit number included on your Notice or proxy card in order to vote by Internet.
- *By Telephone* If you have access to a touch-tone telephone, you may submit your proxy by dialing (800) 690-6903 and by following the recorded instructions. You will need the 12-digit number included on your Notice or proxy card in order to vote by telephone.
- *By Mail* You may vote by mail by requesting a proxy card from us, indicating your vote by completing, signing and dating the card where indicated and by mailing or otherwise returning the card in the envelope that will be provided to you. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney

or officer of a corporation), indicate your name and title or capacity.

If you hold your shares in street name, you may vote by submitting voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this on the Internet, by telephone or by mail as indicated above. Please refer to information from your bank, broker or other nominee on how to submit voting instructions.

Internet and telephone voting facilities will close at 11:59 p.m. (Eastern Daylight Time) on May 22, 2012 for the voting of shares held by shareholders of record or held in street name and at 11:59 p.m. (Eastern Daylight Time) on May 21, 2012 for the voting of shares held by current and former employees through the Company's 401(k) Savings Plan.

Mailed proxy cards with respect to shares held of record or in street name must be *received* no later than May 22, 2012.

Mailed proxy cards with respect to shares held by current and former employees through the Company's 401(k) Savings Plan must be *received* no later than May 21, 2012.

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GENERAL INFORMATION

How do I vote my shares in person at the Annual Meeting?

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First, you must satisfy the requirements for admission to the Annual Meeting (see below). Then, if you are a shareholder of record and prefer to vote your shares at the Annual Meeting, you must bring proof of identification along with your Notice, proxy card or proof of ownership. You may vote shares held in street name at the Annual Meeting only if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we encourage you to vote in advance by Internet, telephone or proxy card so that your vote will be counted if you later decide not to attend the Annual Meeting.

Shares held by current and former employees through the Company's 401(k) Savings Plan cannot be voted in person at the Annual Meeting.

What does it mean if I receive more than one Notice or Proxy Card on or about the same time?

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It generally means you hold shares registered in more than one account. To ensure that all your shares are voted, please sign and return each proxy card or, if you

vote by Internet or telephone, vote once for each Notice or proxy card you receive.

May I revoke my proxy or change my vote?

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Yes. Whether you have voted by Internet, telephone or mail, if you are a shareholder of record, you may revoke your proxy or change your vote by:

- Sending a written statement to that effect to our Corporate Secretary or to any corporate officer of the Company, provided such statement is *received* no later than May 22, 2012;
- Voting again by Internet or telephone at a later time before the closing of those voting facilities at 11:59 p.m. (Eastern Daylight Time) on May 22, 2012;
- Submitting a properly signed proxy card with a later date that is *received* no later than May 22, 2012; or
- Attending the Annual Meeting, revoking your proxy and voting in person.

If you are a current or former employee and hold shares through Travelers' 401(k) Savings Plan, you may change your vote and revoke your proxy by any of the first three methods listed if you do so no later than 11:59 p.m. (Eastern Daylight Time) on May 21, 2012. You cannot, however, revoke or change your proxy with respect to shares held through the Company's 401(k) Savings Plan after that date, and you cannot vote those shares in person at the Annual Meeting.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also change your vote or revoke your proxy in person at the Annual Meeting if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Do I need a ticket to be admitted to the Annual Meeting?

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You will need your *proof of identification along with either your Notice, proxy card or proof of stock ownership* to enter the Annual Meeting. If your shares are held beneficially in the name of a bank, broker or other

holder of record and you wish to be admitted to the Annual Meeting, you must present proof of your ownership of The Travelers Companies, Inc. stock, such as a bank or brokerage account statement.

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GENERAL INFORMATION

Do I also need to present identification to be admitted to the Annual Meeting?

Yes, all shareholders must present a form of personal identification in order to be admitted to the Annual Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Could other matters be decided at the Annual Meeting?

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At the date this Proxy Statement went to press, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement.

If other matters are properly presented at the Annual Meeting for consideration and you are a shareholder of record and have submitted a proxy card, the persons named in your proxy card will have the discretion to vote on those matters for you.

Who will pay for the cost of this proxy solicitation?

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We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees (for no additional compensation) in person or by telephone, electronic transmission and facsimile transmission. Brokers and other nominees will be requested to solicit proxies or authorizations from

beneficial owners and will be reimbursed for their reasonable expenses. In addition, we have hired Morrow & Co., LLC to solicit proxies. We expect to pay Morrow & Co., LLC a fee of \$14,000 plus reasonable expenses for these services.

Where do I send a shareholder proposal for consideration at the Company's 2013 Annual Meeting of Shareholders?

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If you wish to propose a matter for consideration at our 2013 Annual Meeting of Shareholders, the proposal should be mailed by certified mail return receipt requested, to our Corporate Secretary, at the Company's principal executive office, 485 Lexington Avenue, New York, New York 10017. To be eligible under the Securities and Exchange Commission (SEC) shareholder proposal rule (Rule 14a-8(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) for inclusion in our 2013 Annual

Meeting Proxy Statement and form of proxy to be made available in April 2013, a proposal must be received by our Corporate Secretary at our principal executive office on or before December 11, 2012. Failure to deliver a proposal in accordance with this procedure may result in it not being deemed timely received. For additional requirements, see Shareholder Proposals for 2013 Annual Meeting on page 77 of this Proxy Statement.

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ITEM 1 ELECTION OF DIRECTORS

ITEM 1 ELECTION OF DIRECTORS

Nominees for Election of Directors

There are currently 11 members of the Board. On February 8, 2012, the Board, upon recommendation of its Nominating and Governance Committee, unanimously nominated the 11 current directors for re-election to the Board at the Annual Meeting. The Board also unanimously nominated William J. Kane, who is not currently a director, for election to the Board at the Annual Meeting.

The directors elected at the Annual Meeting will hold office until the 2013 annual meeting of shareholders and until their successors are duly elected and qualified. Unless otherwise instructed, the persons named in the form of proxy card (the proxyholders) attached to this Proxy Statement, as filed with the SEC, intend to vote the proxies held by them for the election of the 12 nominees named below. The proxies cannot be voted for more than 12 candidates for director. The Board of Directors knows of no reason why these nominees should be unable or unwilling to serve, but if that should be the case, proxies received will be voted for the election of such other persons, if any, as the Board of Directors may designate.

Alan L. Beller
Age 62
Director Since 2007

Mr. Beller is a partner, based in the New York City office, of the law firm of Cleary Gottlieb Steen & Hamilton LLP (Cleary). Mr. Beller joined Cleary in 1976, became a partner in 1984 and returned to Cleary in August 2006 after serving as the Director of the Division of Corporation Finance of the U.S. Securities and Exchange Commission and as Senior Counselor to the Commission from January 2002 until February 2006. Mr. Beller is a member of the Board of Overseers of the University of Pennsylvania Law School.

John H. Dasburg
Age 69
Director Since 1994

Mr. Dasburg has been Chairman and Chief Executive Officer of ASTAR USA, LLC, an air freight service company, since April 2003. He served as Chief Executive Officer and President of Burger King Corporation from April 2001 through January 2003 and as Chairman of Burger King from April 2001 to March 2003. Mr. Dasburg served as President and Chief Executive Officer of Northwest Airlines from 1989 through March 2001. From 1980 to 1989, he held a number of positions at Marriott Corporation, including President of The Lodging Group, Chief Financial Officer and Chief Real Estate Officer. From 1973 to 1980, Mr. Dasburg was employed by KPMG Peat Marwick, serving as a Tax Partner from 1978 to 1980. Mr. Dasburg is currently a member of the Advisory Board of Trilantic Capital Partners and Compressus Inc.

Janet M. Dolan
Age 62
Director Since 2001

Ms. Dolan has been President of Act 3 Enterprises, LLC, a consulting services company, since August 2006. She served as Chief Executive Officer and President of Tennant Company, a manufacturer of nonresidential floor maintenance equipment and products, from April 1999 until her retirement in December 2005, and she had served in a number of senior executive positions with Tennant Company from 1986 until April 1999. Prior to joining Tennant Company, Ms. Dolan was a director of the Minnesota Lawyers Professional Responsibility Board. Ms. Dolan is also a director of Donaldson Company, Inc. and Wenger Corporation.

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ITEM 1 ELECTION OF DIRECTORS

Kenneth M. Duberstein

Age 67

Director Since 1998

Mr. Duberstein has been Chairman and Chief Executive Officer of The Duberstein Group, Inc., a strategic advisory and consulting firm, since 1989. Previously, Mr. Duberstein served as Chief of Staff to President Ronald Reagan from 1988 to 1989 and as Deputy Chief of Staff during 1987. From 1984 to 1986, Mr. Duberstein was Vice President of Timmons & Company in Washington, DC. Prior to that, he held the White House position as Assistant to the President, Legislative Affairs from 1981 to 1983. From 1977 to 1980, Mr. Duberstein was Vice President of the Committee for Economic Development. He serves as a director of the Council on Foreign Relations, the Brookings Institution, the National Alliance to End Homelessness and the National Endowment for Democracy and is a lifetime trustee for the Kennedy Center for the Performing Arts. Mr. Duberstein is also a director of The Boeing Company, ConocoPhillips, Dell Inc. and Mack-Cali Realty Corp.

Jay S. Fishman

Age 59

Director Since 2001

Mr. Fishman is Chairman and Chief Executive Officer of Travelers. He has served as the Company's Chief Executive Officer since the April 1, 2004 merger of The St. Paul Companies, Inc. with Travelers Property Casualty Corp. that formed the Company, and he assumed the additional role of Chairman in September 2005. He held the additional title of President from October 2001 until June 2008. From October 2001 until April 2004, Mr. Fishman had been Chairman, Chief Executive Officer and President of The St. Paul Companies, Inc. Mr. Fishman held several key executive posts at Citigroup Inc. from 1998 to October 2001, including Chairman, Chief Executive Officer and President of the Travelers insurance business. Starting in 1989, Mr. Fishman worked as an executive for Primerica, which became part of Citigroup. Mr. Fishman is a director of Exxon Mobil Corporation, and is a trustee of the University of Pennsylvania, a member of the Board of Overseers of the University of Pennsylvania School of Veterinary Medicine, a director of the New York Philharmonic and a member and trustee of New York Presbyterian Hospital. It is anticipated that Mr. Fishman will become a director of Carlyle Group Management L.L.C., the general partner of The Carlyle Group L.P., at the time of that partnership's initial public offering.

Lawrence G. Graev

Age 67

Director Since 2002

Mr. Graev has, since December 2000, held the positions of Chairman and Chief Executive Officer of The GlenRock Group, LLC, a merchant banking firm that invests in private equity opportunities and provides management assistance to the leadership and boards of a variety of businesses. Mr. Graev has, since September 1, 2007, also held the positions of President and Chief Operating Officer of GlenRock Capital Advisers, LLC, a registered investment adviser that acts as investment manager for institutional and other investors with respect to their alternative asset investment programs, primarily through investments in leading venture capital, buyout and special situation funds managed by independent third parties. In addition, Mr. Graev was an Adjunct Professor of Venture Capital Law at George Washington University Law School in 2007 and 2008, and he has held the same position at Fordham Law School since January 2009. From June 2001 until January 2006, Mr. Graev held an Of Counsel position with the law firm of King & Spalding, LLP. Prior to that, he was a Partner with the O'Sullivan Graev & Karabell, LLP law firm from 1973 to 2001. From 1969 to 1973, Mr. Graev was an Associate at the law firm of Cravath, Swaine & Moore, LLP.

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ITEM 1 ELECTION OF DIRECTORS

Patricia L. Higgins
Age 62
Director Since 2007

Ms. Higgins served as President and Chief Executive Officer of Switch and Data Facilities, Inc., a provider of neutral interconnection and collocation services, from September 2000 until her retirement in February 2004. In 1999 and 2000, Ms. Higgins served as Executive Vice President of the Gartner Group and Chairman and Chief Executive Officer of the Research Board, a segment of the Gartner Group. From 1997 to 1999, she served as Corporate Vice President and Chief Information Officer of Alcoa Inc., and from 1995 to 1997, she served as Vice President and President (Communications Market Business Unit) of Unisys Corporation. From 1977 to 1995, she served in various managerial positions, including as Corporate Vice President and Group Vice President (State of New York) for Verizon (NYNEX) and Vice President, International Sales Operations (Lucent) for AT&T Corporation/Lucent. Ms. Higgins currently serves on the Board of Directors of Barnes & Noble, Inc., Internap Network Services Corporation and Dycom Industries. During the prior five years, Ms. Higgins also served as a director of Delta Air Lines, Inc. until April 2007 and Visteon Corporation until October 2010.

Thomas R. Hodgson
Age 70
Director Since 1997

Mr. Hodgson served as President and Chief Operating Officer of Abbott Laboratories, a global diversified health care company, from 1990 until his retirement in 1998. Prior to that, he had been President of the Abbott International Division from 1983 to 1990 and President of the Hospital Products Division from 1978 to 1983. Mr. Hodgson held various other management positions with Abbott from 1972 to 1978. Mr. Hodgson is currently a director of Idenix Pharmaceuticals.

William J. Kane
Age 61
Director Nominee

Mr. Kane served as an audit partner with Ernst & Young for 25 years until his retirement in 2010, during which time he specialized in providing accounting, auditing and consulting services to the insurance and financial services industries. Prior to that he served in various auditing roles with Ernst & Young. Mr. Kane is currently a director of SunAmerica Financial Group.

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ITEM 1 ELECTION OF DIRECTORS

Cleve L. Killingsworth Jr.

Age 59

Director Since 2007

Mr. Killingsworth served as the President and Chief Executive Officer of Blue Cross Blue Shield of Massachusetts, Inc. from July 2005 until March 2010. He served as Chairman from January 2008 to March 2010. He joined the company in February 2004 as President and Chief Operating Officer. Before joining Blue Cross Blue Shield of Massachusetts, Mr. Killingsworth served the Henry Ford Health System as Senior Vice President of Insurance and Managed Care, as well as President and Chief Executive Officer of the Health Alliance Plan. He joined Henry Ford Health Systems in January 1998 after holding senior management positions with: the Kaiser Foundation Health Plan; Blue Cross Blue Shield of Rochester, NY; Group Health Cooperative of Puget Sound; The American Hospital Association; and the Hospital of the University of Pennsylvania. Mr. Killingsworth is currently a faculty member of the Harvard School of Public Health and serves on the Harvard Medical Board of Fellows. Mr. Killingsworth is currently a member of the Board of Trustees of The MITRE Corporation and the Board of Overseers of the Teachers Insurance and Annuity Association of America (TIAA) and the College Retirement Equities Fund (CREF).

Donald J. Shepard

Age 65

Director Since 2009

Mr. Shepard served as Chairman of the Executive Board and Chief Executive Officer of AEGON N.V., an international life insurance and pension company, from April 2002 until his retirement in April 2008. Prior to that, he served as Chief Executive Officer of AEGON USA since 1989, and in 1992 he became a member of the Executive Board of AEGON N.V. Mr. Shepard currently serves as a member of the board of directors of PNC Financial Services Group, Inc. and CSX Corporation.

Laurie J. Thomsen

Age 54

Director Since 2004

Ms. Thomsen served as an Executive Partner of New Profit, Inc., a venture philanthropy firm, from September 2006 to September 2010. She served on the board of New Profit from 2001 to 2006. Prior to that, she was a co-founding General Partner of Prism Venture Partners, a venture capital firm investing in healthcare and technology companies. Ms. Thomsen was employed at Prism from 1995 until she retired from the firm in June 2004. From 1984 until 1995, she worked at the venture capital firm Harbourvest Partners in Boston, where she was a General Partner from 1988 until 1995. Ms. Thomsen was in commercial lending at U.S. Trust Company of New York from 1979 until 1984. Ms. Thomsen is a director of MFS Mutual Funds. She is also a trustee of Williams College and a director of KickStart International and ACCESS.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE

ELECTION OF EACH OF THE NOMINEES NAMED ABOVE.

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There are six standing committees of the Board: the Audit Committee; the Compensation Committee; the Executive Committee; the Investment and Capital Markets Committee; the Nominating and Governance Committee; and the Risk Committee.

The Board has adopted a written charter for each of these committees, copies of which are posted on our website at www.travelers.com under For Investors: Corporate Governance: Committee Charters. Each committee reviews its charter annually and, when appropriate, presents to the Nominating and Governance Committee and the Board any recommended amendments for consideration and approval.

The following table summarizes the current membership of the Board and of each of its committees, as well as the number of times the Board and each committee met during 2011.

	Board	Audit	Compensation	Executive	Investment and Capital Markets	Nominating and Governance	Risk
Mr. Beller	X	X					X
Mr. Dasburg	X	Chair		X			X
Ms. Dolan	X	X					X
Mr. Duberstein	X		X	X	X	Chair	
Mr. Fishman	Chair			Chair			
Mr. Graev	X		Chair	X	X	X	
Ms. Higgins	X	X					X
Mr. Hodgson	X	X		X			Chair
Mr. Killingsworth	X		X	X	Chair	X	
Mr. Shepard	X		X		X	X	
Ms. Thomsen	X	X					X
Number of 2011 meetings	8	10	6	0	5	6	4

Each director attended 75% or more of the total number of meetings of the Board and of the committees on which each such director served. Directors are encouraged and expected, but not required, to attend each annual meeting of shareholders. Ten of the 11 directors then serving and nominated for reelection attended last year's annual meeting.

Audit Committee

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All members of the Audit Committee are independent, consistent with our Governance Guidelines and the NYSE listing standards and SEC rules applicable to boards of directors in general and audit committees in particular. In addition, the Board has determined that the members of the Audit Committee meet the financial literacy and expertise requirements of the NYSE. The Board also has determined that Mr. Dasburg's experience with KPMG Peat Marwick from 1973 to 1980, his service as

a KPMG Tax Partner from 1978 to 1980, his experience as Chief Financial Officer of Marriott Corporation, as Chief Executive Officer of Northwest Airlines, Burger King Corporation and ASTAR and his service on the audit committees of other public companies qualify him as an audit committee financial expert, and he has been so designated. The duties and responsibilities of the Audit Committee are set forth in its charter, which may be found at www.travelers.com under For Investors: Corporate Governance:

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BOARD OF DIRECTORS INFORMATION

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Committee Charters: Audit Committee, and include the following:

- assist the Board in exercising its oversight of the Company's accounting and financial reporting process and audits of the Company's financial statements;
- select our independent registered public accounting firm and review its qualifications, performance and independence;
- review and pre-approve the audit and permitted non-audit services and proposed fees of the independent registered public accounting firm;
- review reports from management, the internal auditors and the independent registered public accounting firm with respect to the adequacy of the Company's internal controls; and
- review the adequacy of the work performed by our internal audit unit.

With respect to reporting and disclosure matters, the duties and responsibilities of the Audit Committee include reviewing our audited financial statements and recommending to the Board that they be included in our Annual Report on Form 10-K in accordance with applicable rules and regulations of the SEC.

Compensation Committee

All members of the Compensation Committee are independent as defined by our Governance Guidelines and the NYSE listing standards. In addition, all members of the Compensation Committee qualify as non-employee directors for purposes of Rule 16b-3 of the Exchange Act, and as outside directors for purposes of Section 162(m) (Section 162(m)) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). The Compensation Committee has a charter, which may be found at www.travelers.com under For Investors: Corporate Governance: Committee Charters: Compensation Committee.

Duties and Responsibilities

With respect to general compensation matters, the duties and responsibilities of the Compensation Committee include the following:

- set the performance goals and objectives for our Chief Executive Officer (CEO) and those members of our Management Committee who are executive officers or direct reports of the CEO (together with the CEO, the Committee Approved Officers);
- review the performance and approve the salaries and incentive compensation of the Committee Approved Officers;
- approve policies with respect to perquisites of the Committee Approved Officers;
- approve and monitor compliance with stock ownership guidelines applicable to the CEO and other members of management;
- develop our executive compensation philosophy and objectives;
- review the operation of our overall compensation program to evaluate its objectives and execution and recommend to the Board amendments to our compensation programs to better conform them with the established compensation objectives;
- review and approve, and, in certain cases, recommend to the Board for approval, all new equity compensation plans and material amendments to existing plans, and administration of such plans;
- recommend to the Board for approval nonequity compensation and benefit programs determined by the Compensation Committee to be appropriate;
- review our regulatory compliance with respect to compensation matters;
- review and approve, and, in certain cases, recommend to the Board for approval, any employment and severance contracts for the CEO and other members of management; and
- review and approve stock options, restricted stock, restricted stock units, performance shares and similar stock-based grants to the Committee Approved Officers.

With respect to reporting and disclosure matters, the duties and responsibilities of the Compensation Committee include reviewing the Compensation Discussion and Analysis and authorizing its inclusion in our annual proxy statement and Annual Report on

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BOARD OF DIRECTORS INFORMATION

Form 10-K in accordance with applicable rules and regulations of the SEC.

Establishment of Annual Bonus and Equity Award Pools

The Compensation Committee approves the individual salary, annual bonus and equity awards for the Committee Approved Officers. In addition, the Compensation Committee approves the aggregate annual bonuses and all equity awards to employees who are not Committee Approved Officers.

Pursuant to its charter, the Compensation Committee considered recommendations from the CEO regarding compensation for each of the other executive officers named in the Summary Compensation Table on page 50 (together with the CEO, the named executive officers) and other officers.

During 2011, the Compensation Committee took those actions required under Section 162(m) in order for performance-based compensation to be fully deductible by the Company for income tax purposes.

Delegation of Authority with Respect to Off-Cycle Equity Grants

The Compensation Committee has delegated limited authority to the Chairman and CEO to make certain off-cycle equity grants outside of the annual equity grant process to employees and new hires who are not Committee Approved Officers. The delegation is subject to maximum grant date values of equity that can be granted to any one person. These grants can only be made on the grant dates established by our Governance Guidelines for off-cycle equity awards. Our Governance Guidelines are available on our website at www.travelers.com under For Investors: Corporate Governance: Governance Documents: Governance Guidelines. Any awards made off-cycle are reported to the Compensation Committee at the next regularly scheduled meeting following such awards.

Compensation Consultant

The Compensation Committee has the authority under its charter to retain outside consultants or advisors, as it deems necessary or advisable. In accordance with this authority, the Compensation Committee has engaged Frederic W. Cook & Co. (F. W. Cook) as its independent outside compensation consultant to provide it with objective and expert

analyses, advice and information with respect to executive compensation.

Neither F. W. Cook nor any of its affiliates maintains any other direct or indirect business relationships with the Company or any of its affiliates. All executive compensation services provided by F. W. Cook are conducted under the direction or authority of the Compensation Committee, and all work performed by F. W. Cook must be pre-approved by the Compensation Committee or the Chair of the Compensation Committee.

F. W. Cook also advises the Nominating and Governance Committee with respect to director compensation.

As requested by the Compensation Committee, in 2011, F. W. Cook's services to the Compensation Committee included, among other things:

- advising with respect to the Compensation Committee meeting materials;
- evaluating potential changes to incentive plans;
- advising with respect to individual compensation for the Committee Approved Officers;
- reviewing and discussing possible aggregate levels of corporate-wide bonus payments and equity awards;
- preparing comparative analyses of executive compensation levels and elements at peer group companies;
- advising as to whether our compensation exceeded or fell below targeted levels and whether the actual amounts paid were commensurate with our operating performance as compared to our peer group companies; and
- advising in connection with the preparation of certain of the information included in this Proxy Statement.

An F. W. Cook representative participated in each of the six Compensation Committee meetings in 2011.

In 2011 and 2010, we paid F. W. Cook \$192,261 and \$151,340, respectively, for services to the Compensation Committee and the Nominating and Governance Committee. In 2011 and 2010, we paid \$98,554 and \$91,650, respectively, to certain other compensation consultants retained by management to provide broad-based compensation surveys. Such

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BOARD OF DIRECTORS INFORMATION

other consultants retained by management did not have any role in determining or recommending the amount or form of executive or director compensation.

In addition to the independent, outside compensation consultant discussed above, our corporate staff (including Finance, Human Resources and Legal staff

members) supports the Compensation Committee in its work. Other than the CEO (with respect to compensation for all other executive officers) and other executive officers (with respect to executive officers that report to them), no executive officer determines or recommends to the Compensation Committee the amount or form of executive compensation paid to another executive officer.

Executive Committee

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The Board has granted to the Executive Committee, subject to certain limitations set forth in its charter, the broad responsibility of exercising the authority of the Board in the oversight of our business during the intervals between Board meetings. The Executive Committee meets only as necessary. The duties and

responsibilities of the Executive Committee are set forth in its charter, which may be found at www.travelers.com under For Investors: Corporate Governance: Committee Charters: Executive Committee.

Investment and Capital Markets Committee

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The Investment and Capital Markets Committee assists the Board in exercising its oversight of the Company's management of its investment portfolios (including credit risk monitoring) and certain financial affairs of the Company (including capital management, such as dividend policy and actions, stock splits, repurchases of stock or other securities, financing arrangements, debt and equity financing and liquidity).

The Investment and Capital Markets Committee also reviews and either approves, or recommends

appropriate Board action with respect to, among other matters, the issuance of securities, the establishment of bank lines of credit and certain purchases and dispositions of real property, capital expenditures and acquisitions and divestitures of assets.

The Investment and Capital Markets Committee's charter can be found at www.travelers.com under For Investors: Corporate Governance: Committee Charters: Investment and Capital Markets Committee.

Nominating and Governance Committee

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Each member of the Nominating and Governance Committee is independent, consistent with our Governance Guidelines and the NYSE listing standards. The duties and responsibilities of the Nominating and Governance Committee are set forth in its charter, which may be found at www.travelers.com under For Investors: Corporate Governance: Committee Charters: Nominating and Governance Committee, and include the following:

- establish criteria for the selection of candidates to serve on the Board;
- identify and select director candidates for election or re-election to the Board;
- identify and select directors for appointment to serve on the committees of the Board;
- recommend adjustments, from time to time, to the size of the Board or of any Board committee;
- establish procedures for the evaluation of Board and director performance;
- oversee continuing education of directors in light of the Governance Guidelines;
- periodically review and recommend changes to the Board's director compensation programs and policies;
- establish and periodically review our Governance Guidelines and standards for determining the independence of directors and the absence of material relationships between the Company and a director;

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- annually review succession plans for our senior management;
- review and approve or ratify all related person transactions under our Related Person Transaction Policy;
- review, at least annually, the Company's public policy initiatives; and
- recommend to the Board any guidelines for the removal of directors, as it determines appropriate.

Risk Committee

The purpose of the Risk Committee is to assist the Board in exercising its oversight of our operational activities and the identification and review of those risks that could have a material impact on us. The duties and responsibilities of the Risk Committee are set forth in its charter, which may be found at www.travelers.com under For Investors: Corporate Governance: Committee Charters: Risk Committee, and include oversight of management's risk management activities in the following areas:

- our enterprise risk management program;
- the underwriting of insurance;
- the settlement of claims;
- the management of catastrophe exposure;
- the retention of insured risk and appropriate levels and types of reinsurance;
- the credit risk in our insurance operations and ceded reinsurance program;
- our information technology operations; and
- the business continuity and executive crisis management for the Company and its business operations.

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GOVERNANCE OF YOUR COMPANY

GOVERNANCE OF YOUR COMPANY

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Our Governance Guidelines, which include our categorical standards of director independence, our Code of Business Conduct and Ethics, Board Committee charters and other corporate governance information are available on the Corporate

Governance page of the For Investors section on our website www.travelers.com. Other corporate governance practices that the Board has implemented are described further below.

Governance Guidelines

Our commitment to good corporate governance is reflected in our Governance Guidelines, which describe the Board's views on a wide range of governance topics. These Governance Guidelines are

reviewed annually by the Nominating and Governance Committee and, to the extent deemed appropriate in light of emerging practices, revised accordingly, upon recommendation to and approval by the full Board.

Code of Business Conduct and Ethics

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We maintain a Code of Business Conduct and Ethics (the Code of Conduct), which is applicable to all of our directors, officers and employees, including our CEO, Chief Financial Officer, Controller and other senior financial officers. The Code of Conduct sets forth our policies and expectations on a number of topics, including conflicts of interest, compliance with laws, use of our assets and business ethics.

The Code of Conduct may be found on our website at www.travelers.com under For Investors: Corporate Governance: Code of Conduct.

Our Chief Compliance Officer is responsible for overseeing compliance with the Code of Conduct as part of fulfilling his responsibility for overseeing our compliance functions throughout the organization. Our Chief Compliance Officer also assists in the communication of the Code of Conduct and oversees employee education regarding its requirements through the use of global, computer based training, supplemented with focused in person sessions where appropriate. All employees and directors are required to certify annually that they have reviewed, understand and agree to comply with the contents of the Code of Conduct.

Ethics Helpline

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We maintain an Ethics Helpline through which employees can report integrity concerns or seek guidance regarding a policy or procedure. The Ethics Helpline is serviced by an independent company, is available seven days a week, 24 hours a day and can be accessed by individuals through a toll-free number. Employees may also access the helpline system and report integrity concerns via the Web. In either case, employees can report concerns anonymously. We maintain a formal no retaliation policy that prohibits retaliation or discipline against an employee who raises an ethical concern in good faith. Once a complaint is alleged, the report is forwarded to our Chief Compliance Officer who is responsible for

oversight of the helpline. Our Chief Compliance Officer coordinates with management and outside resources, as appropriate, to investigate the matter, and any ethical or compliance-related issues will not be closed until they have been addressed to his satisfaction. The Audit Committee receives quarterly summaries of matters reported through the Ethics Helpline. In addition, any matter reported to the Chief Compliance Officer that involves accounting, internal control or audit matters, or any fraud involving persons with a significant role in our internal controls, is required to be reported promptly to the Audit Committee.

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GOVERNANCE OF YOUR COMPANY

Compliance Policy Review

Under the oversight of the Audit Committee, we have established a Company-wide compliance function, with a view to ensuring compliance with evolving laws, regulations and policies and to encourage and reinforce ongoing ethical and lawful business conduct. Our Chief Compliance Officer meets regularly with

members of senior management to oversee the implementation of various compliance initiatives and functions in each of the business units and to promote better coordination and effectiveness through corporate compliance policies and initiatives, program design and promotion of a culture of compliance.

Director Stock Ownership

The Board believes its non-management directors should accumulate and retain a level of ownership of our equity securities to align the interests of the non-management directors and the shareholders. Accordingly, the Board has established an ownership target for each non-management director equal to four times the director's most recent annual deferred stock award. Each new director is expected to meet or exceed this target within four years of his or her initial election to the Board, provided that, if the annual deferred stock award for any of such four years is less than the most recent annual deferred stock award, such director is expected to meet or exceed the target within five years of his or her election to the Board. All of our current non-management directors have

achieved stock ownership levels in excess of the amount required except for Ms. Higgins and Messrs. Beller and Killingsworth, each of whom was elected to our Board for the first time in May 2007 and who we expect will each achieve the stock ownership target by the date of our 2012 Annual Meeting, and Mr. Shepard who was elected to our Board in December 2009. Directors receive over 50% of their annual compensation in the form of deferred stock units. The shares underlying these units are not distributed to a director until at least six months after the director leaves the Board. Accordingly, all of our non-management directors hold equity interests that they cannot sell for so long as they serve on the Board and at least six months afterwards.

Director Age Limit

The Governance Guidelines provide generally that no person who will have reached the age of 72 on or before the date of the next annual shareholders meeting will be nominated for election at that meeting.

Under special circumstances, with the approval of the Board, exceptions can be made to this policy. The Board believes, however, that exceptions to this policy should not be commonplace and should be based upon the needs of the Company and the individual attributes of the director.

Director Nominations

Process and Criteria Generally

Pursuant to our Governance Guidelines, the Nominating and Governance Committee is responsible for recommending to the Board nominees for election for director, and the Board is responsible for selecting nominees for election.

As required by our Governance Guidelines, the Board, based on the Nominating and Governance Committee's recommendation, selects nominees after considering the following criteria:

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contact in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;
- ability and willingness to commit adequate time to Board and committee matters;

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GOVERNANCE OF YOUR COMPANY

- the fit of the individual's skill and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company; and
- diversity of viewpoints, background, experience and other demographics.

The evaluation of these criteria involves the exercise of careful business judgment. Accordingly, although the Nominating and Governance Committee and the Board at a minimum assess each candidate's ability to satisfy any applicable legal requirements or listing standards, his or her strength of character, judgment, working style, specific areas of expertise and his or her ability and willingness to commit adequate time to Board and committee matters, they do not have fixed qualifications that are applicable to all director candidates. The Board seeks to ensure that the Board is composed of members whose particular expertise, qualifications, attributes and skills, when taken together, allow the Board to satisfy its oversight responsibilities effectively.

As mentioned above, the Nominating and Governance Committee and the Board include diversity of viewpoints, background, experience and other demographics as one of several criteria that they consider in connection with selecting candidates for the Board. While neither the Board nor the Nominating and Governance Committee has a formal diversity policy, one of many factors that the Board and the Nominating and Governance Committee carefully considers is the importance to the Company of racial and gender diversity in board composition. Moreover, when considering director candidates, the Nominating and Governance Committee and the Board seek individuals with backgrounds and qualities that, when combined with those of our incumbent directors, enhance the Board's effectiveness and, as required by the Governance Guidelines, result in the Board having a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business. As part of its annual self-evaluation, the Board assesses and confirms compliance with this Governance Guideline.

In identifying prospective director candidates for the Board, the Nominating and Governance Committee may seek referrals from other members of the Board, management, shareholders and other sources. The Nominating and Governance Committee also may, but need not, retain a professional search firm in order to assist it in these efforts. The Nominating and

Governance Committee and the Board utilize the same criteria for evaluating candidates regardless of the source of the referral. Mr. Kane, who has been nominated by the Board for election at the Annual Meeting, was initially identified as a candidate for the Board of Directors by our Chief Executive Officer. After reviewing Mr. Kane's qualifications, meeting with him several times and discussing his potential nomination at three separate meetings, the Nominating and Governance Committee voted unanimously to recommend Mr. Kane to the Board of Directors as a nominee. The entire Board met with Mr. Kane prior to nominating him for election by the shareholders. No fees were paid with respect to the nomination of Mr. Kane.

The Nominating and Governance Committee will consider director candidates recommended by shareholders. Shareholders wishing to propose a candidate for consideration may do so by submitting the proposed candidate's full name and address, résumé and biographical information to the attention of the Corporate Secretary, The Travelers Companies, Inc., 485 Lexington Avenue, New York, New York 10017. All recommendations for nomination received by the Corporate Secretary that satisfy our bylaw requirements relating to such director nominations will be presented to the Nominating and Governance Committee for its consideration.

Specific Considerations Regarding 2012 Directors and Nominees

In considering the 12 director nominees named in this Proxy Statement and proposed for election by you at the Annual Meeting, the Nominating and Governance Committee and the Board evaluated each nominee's experiences, qualifications, attributes and skills, in light of the Governance Guidelines' criteria for nomination discussed above. The Board and the Nominating and Governance Committee also considered the years of experience many directors have had working together on the Board, as well as the contributions of those directors recommended for re-election

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in the context of the Board self-evaluation process and other perceived needs of the Board.

The Board and the Nominating and Governance Committee, in considering each nominee, principally focused on the background and experiences of the nominee, as described in the biographies appearing on pages 6 through 9 of this Proxy Statement. The Board and the Nominating and Governance Committee

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GOVERNANCE OF YOUR COMPANY

considered that each nominee has experience serving in senior positions with significant responsibility, where each has gained valuable expertise in a number of areas relevant to the Company and its business. The Board and the Nominating and Governance Committee also considered that a number of directors have gained valuable experience and skills through serving as a director of other public and private companies. Specifically, among other things:

- With respect to Mr. Beller, the Board and the Nominating and Governance Committee considered in particular his senior-level public service and his significant experience and expertise in the areas of law, corporate governance and financial and auditing regulation.
- With respect to Mr. Dasburg, the Board and the Nominating and Governance Committee considered in particular his experience as a public company CEO and his significant experience and expertise in areas of management, accounting and finance.
- With respect to Ms. Dolan, the Board and the Nominating and Governance Committee considered in particular her experience as a public company CEO and her significant experience and expertise in management and in legal and compliance matters.
- With respect to Mr. Duberstein, the Board and the Nominating and Governance Committee considered in particular his experience both in the highest levels of the U.S. government and as an outside strategic corporate advisor and his significant experience and expertise in public policy, public affairs, government relations and corporate governance.
- With respect to Mr. Fishman, the Board and the Nominating and Governance Committee considered his experience as CEO of the Company and his significant experience and expertise in property and casualty insurance, management and finance.
- With respect to Mr. Graev, the Board and the Nominating and Governance Committee considered in particular his experience as CEO of a private equity management and investment company and as Chairman/Managing Partner of a law firm and his significant experience and expertise in the areas of corporate finance and mergers and acquisitions, corporate governance and private equity investing and management.
- With respect to Ms. Higgins, the Board and the Nominating and Governance Committee considered in particular her experience as a public company Chief Information Officer and her significant experience and expertise in management as well as information technology strategy and operations.
- With respect to Mr. Hodgson, the Board and the Nominating and Governance Committee considered his experience as a public company President and COO and his significant experience and expertise in management, business operations and finance.
- With respect to Mr. Kane, the Board and the Nominating and Governance Committee considered in particular his experience as an audit partner of a registered public accounting firm and his significant experience and expertise in financial controls, financial reporting, management and the insurance industry.

- With respect to Mr. Killingsworth, the Board and the Nominating and Governance Committee considered in particular his experience as a health insurance CEO and his significant experience and expertise in management, insurance and regulation.
- With respect to Mr. Shepard, the Board and the Nominating and Governance Committee considered in particular his experience as a public insurance company CEO and his significant experience and expertise in management and international business.
- With respect to Ms. Thomsen, the Board and the Nominating and Governance Committee considered in particular her experience as a General Partner of a venture capital firm and her significant experience and expertise in investments, finance and the development of emerging businesses.

Director Independence and Independence Determinations

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Under our Governance Guidelines and NYSE rules, a director is not independent unless the Board affirmatively determines that he or she does not have a direct or indirect material relationship with the

Company. In addition, the director must meet the bright-line test for independence set forth by the NYSE rules.

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The Board has established categorical standards of director independence to assist it in making independence determinations. These standards, which are included in our Governance Guidelines and may be found on our website at www.travelers.com under For Investors: Corporate Governance: Governance Documents: Governance Guidelines, set forth certain relationships between the Company and the directors and their immediate family members, or entities with which they are affiliated, that the Board, in its judgment, has determined to be material or immaterial in assessing a director's independence. The Nominating and Governance Committee annually reviews the independence of all directors and reports its determinations to the full Board.

In the event a director has a relationship with the Company that is relevant to his or her independence and is not addressed by the categorical independence standards, the independent members of the Board determine in their judgment whether such relationship is material.

Our Governance Guidelines require that: (1) all members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee be independent; and (2) no more than two members of the Board may concurrently serve as officers of the Company.

The Board has determined that all of its directors and all of the persons proposed for election at the Annual Meeting are independent, other than our Chairman and Chief Executive Officer, Mr. Jay Fishman, who is

an employee of the Company. Consequently, assuming election of all the nominees included in this Proxy Statement, approximately 92% of the directors on the Board will be independent.

In making its independence determinations, the Board considered and reviewed the various commercial, charitable and employment transactions and relationships known to the Board (including those identified through annual directors' questionnaires) that exist between us and our subsidiaries and the entities with which certain of our directors or members of their immediate families are, or have been, affiliated. Specifically, the Board's independence determinations included reviewing (1) charitable contributions to a non-profit organization where Ms. Janet Dolan serves as a director (but not as an executive officer or employee) and (2) membership dues, event sponsorship and research fees paid to a trade association and affiliated entities where Mr. Donald Shepard serves as a director (but not as an executive officer or employee). Payments to each organization constituted less than 1% of such organization's annual consolidated gross revenues during its last completed fiscal year and were below the thresholds set forth under our categorical standards of director independence.

The Board determined that none of the transactions or relationships identified were material or affected the independence of such directors under either the Company's Governance Guidelines or the applicable NYSE rules.

Dating and Pricing of Equity Grants

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The Board has adopted a Governance Guideline establishing fixed grant dates for the award of off-cycle equity grants, so as to avoid the appearance that equity grant dates have been established with a view to benefiting grantees due to the timing of material public announcements. Our Governance Guidelines are available on our website at www.travelers.com under For Investors: Corporate Governance: Governance Documents: Governance Guidelines.

In addition, to further ensure the integrity of our equity awards process, the Compensation Committee

requires that the exercise price of all stock options granted, and the fair value of all equity awards made, must be determined by reference to the closing price for a share of our common stock on the NYSE on the date of any such grant or award. Under the Amended and Restated 2004 Stock Incentive Plan, the Compensation Committee may not take any action with respect to any stock option that would be treated as a repricing of such stock option, unless such action is approved by the Company's shareholders in accordance with applicable rules of the NYSE.

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Transactions with Related Persons and Certain Control Persons

Related Person Transaction Approval

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The Board has adopted a written Related Person Transaction Policy to assist it in reviewing, approving and ratifying related person transactions and to assist us in the preparation of related disclosures required by the SEC. This Related Person Transaction Policy supplements our other policies that may apply to transactions with related persons, such as the Board's Governance Guidelines and our Code of Conduct.

The Related Person Transaction Policy provides that all related person transactions covered by the Policy are prohibited, unless approved or ratified by the Board or by the Nominating and Governance Committee. Our directors and executive officers are required to provide prompt and detailed notice of any potential Related Person Transaction (as defined in the Policy) to the Corporate Secretary, who in turn must promptly forward such notice and information to the Chairperson of the Nominating and Governance Committee and to our counsel for analysis, to determine whether the particular transaction constitutes a Related Person Transaction requiring compliance with the Policy. The analysis and recommendation of counsel are then presented to the Nominating and Governance Committee for consideration at its next regular meeting.

In reviewing Related Person Transactions for approval or ratification, the Nominating and Governance Committee will consider the relevant facts and circumstances, including:

- the commercial reasonableness of the terms;
- the benefit (or lack thereof) to us;
- opportunity costs of alternate transactions;
- the materiality and character of the related person's interest, including any actual or perceived conflicts of interest; and
- with respect to a non-employee director or nominee, whether the transaction would compromise the director's (1) independence under the Board's Governance Guidelines, the NYSE rules and Rule 10A-3 of the Exchange Act, if such non-employee director serves on the Audit Committee, (2) status as an outside director under Section 162(m), if such non-employee director serves on the Compensation Committee, or (3) status as a non-employee director under Rule 16b-3 of the Exchange Act, if such non-employee director serves on the Compensation Committee.

The Nominating and Governance Committee will not approve or ratify a Related Person Transaction unless, after considering all relevant information, it has determined that the transaction is in, or is not inconsistent with, the best interests of the Company and our shareholders.

Generally, the Related Person Transaction Policy applies to any current or proposed transaction in which:

- the Company was or is to be a participant;

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- the amount involved exceeds \$120,000; and

- any related person had or will have a direct or indirect material interest.

A copy of our Related Person Transaction Policy is available on our website at www.travelers.com under For Investors: Corporate Governance: Governance Documents: Related Person Transaction Policy.

Employment Relationships

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We employ approximately 30,600 employees, approximately 7,100 of whom work in and around Hartford, Connecticut. We employ several employees in the Hartford area who are related to the executive officers identified below:

- Mr. Brian MacLean is President and Chief Operating Officer of the Company. His daughter,

Ms. Erin Cha, and his son-in-law, Mr. Junghwan Cha, have been employed by the Company since 2005 and 2009 respectively. In 2011, their combined total compensation, including salary, bonuses, equity awards and other benefits, totaled approximately \$294,000. Their compensation is commensurate with that of their peers.

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- Ms. Doreen Spadorcia is Executive Vice President Claim Services and Chief Executive Officer Personal Insurance. Her brother-in-law, Mr. Michael Giuffrida, has been employed by the Company since 1962. In 2011, his total compensation, including salary, bonus, equity awards and other benefits, totaled approximately \$494,000. His compensation is commensurate with that of his peers.
- Mr. William Cunningham is Executive Vice President Business Insurance. His brother, Gregg T. Cunningham, has been employed by the Company since 2001. In 2011, his total compensation, including salary, bonus, equity awards and other benefits, totaled approximately \$429,000. His compensation is commensurate with that of his peers.

Third-Party Transactions

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We engage several thousand law firms, nationally and internationally, to represent us and/or our insureds in connection with, among other things, corporate, litigation, regulatory, insurance coverage and claim matters. In 2011, we engaged several law firms with partners related to the executive officers identified below:

- Mr. Alan Schnitzer is Vice Chairman, Chief Legal Officer and Executive Vice President Financial, Professional and International Insurance of the Company. Mr. Schnitzer's brother-in-law, Mr. Joseph Berman, is a partner in the law firm Looney & Grossman. In 2011, the Company paid approximately \$480,000 in legal fees and disbursements to Looney & Grossman. We engage this firm from time to time in the ordinary course of our business and on an arm's-length basis. Mr. Schnitzer has explicitly recused himself from any involvement with respect to our retention of, or payments to, this law firm.

- Ms. Doreen Spadorcia is Executive Vice President Claim Services and Chief Executive Officer Personal Insurance. Her husband, Mr. Richard Cavo, is a partner in the law firm Litchfield Cavo LLP. In 2011, we paid this firm approximately \$14.9 million in legal fees and disbursements for work performed by the firm. Litchfield Cavo LLP has been an approved firm of the Company for more than ten years and is retained by the Company from time to time in the ordinary course of business and on an arm's-length basis. Ms. Spadorcia has been an executive officer of the Company since 2005. Ms. Spadorcia has explicitly recused herself from any involvement with respect to our retention of, or payments to, this law firm.

From time to time, institutional investors, such as large investment management firms, mutual fund management organizations and other financial

organizations become beneficial owners (through aggregation of holdings of their affiliates) of 5% or more of a class of voting securities of the Company and, as a result, are considered a related person under the Related Person Transaction Policy. These organizations may provide services to the Company or its benefit plans. In addition, the Company may provide insurance coverage to these organizations. In 2011, the following transactions occurred with investors who reported beneficial ownership of 5% or more of the Company's voting securities:

- An affiliate of BlackRock, Inc. (BlackRock) provides investment management services to the Company and has done so since 2007. In 2011, the Company paid approximately \$712,000 in management fees under the investment management agreement. Pursuant to the investment management agreement, the Company invested approximately \$44.1 million in funds sponsored by a BlackRock affiliate. Separately, the Company's pension plan has invested approximately \$7.6 million in a fund sponsored by BlackRock, which investment was made in 2005. The investment management agreement and the investments were entered into on an arm's-length basis. In 2011, BlackRock paid premiums of approximately \$1.8 million for insurance policies with Travelers in the ordinary course of business and on substantially the same terms as those offered to other customers.

- An affiliate of State Street Corporation (State Street) provides investment management services to the Company's 401(k) Savings Plan (the 401(k) Plan). The participants in the 401(k) Plan paid approximately \$138,000 in management fees to State Street in 2011. The investment management agreement was entered into on an arm's-length basis. In 2011, State Street paid premiums of approximately \$1.4 million for insurance policies with Travelers in the ordinary course of business and on substantially the same terms as those offered to

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GOVERNANCE OF YOUR COMPANY

other customers, and Travelers paid \$10 million to State Street pursuant to claims made under insurance policies.

- Until June 7, 2011, Fidelity Management Trust Company (Fidelity) held 100% of the outstanding shares of the Company s Series B convertible preferred stock as trustee under the Company s 401(k) Plan. In November 2009, the Company entered into an agreement on an arm s-length basis with an affiliate of Fidelity under which such affiliate serves as the administrator of the Company s equity compensation programs. Pursuant to the agreement, the Company paid Fidelity approximately \$266,000 for stock plan administration services in 2011. An affiliate of Fidelity has also provided 401(k) plan recordkeeping services to the Company since 1998. The current contract for 401(k) recordkeeping services has been in place since 2005 and has been

updated from time to time. The Company paid Fidelity approximately \$596,000 for 401(k) plan recordkeeping services in 2011. Each of these arrangements has been entered into on an arm s-length basis.

In addition to the Related Person Transaction Policy, our Code of Conduct requires that all employees, officers and directors avoid any situation that involves or appears to involve a conflict of interest between their personal and professional relationships. Our Audit Committee provides oversight regarding compliance with our Code of Conduct and discusses any apparent conflicts of interest with senior management. The Code of Conduct also requires that all employees seek approval from both our General Counsel and our Chief Compliance Officer prior to accepting a position as a director or officer of any unaffiliated for-profit company or organization.

Governance Structure of the Board Lead Director

Our Governance Guidelines provide for the position of Lead Director whenever the Chairman of the Board is also the Chief Executive Officer or is a director who does not otherwise qualify as an independent director. Mr. Fishman serves as Chairman of the Board as well as Chief Executive Officer, and Mr. Dasburg currently serves as our Lead Director. The position of Lead Director has been in place since 2006. Under the Governance Guidelines, the Lead Director is responsible for coordinating the efforts of the independent and non-management directors in the interest of ensuring that objective judgment is brought to bear on sensitive issues involving the management of the Company and, in particular, the performance of senior management. Among other things, the Lead Director has the authority to:

- convene, set the agendas for and chair regular executive sessions of the independent directors;
- convene meetings of the independent directors as he deems necessary;
- provide direction to the Chairman regarding the meeting schedules, information to be sent to the Board and input regarding meeting agenda items;
- act as a liaison between and among directors, committee chairs, the Chairman and senior management;
- receive and review correspondence sent to the Company's office addressed to the Board and to determine appropriate responses if any; and
- recommend to the Board the retention of consultants and advisors who directly report to the Board, without consulting or obtaining the advance authorization of any officer of the Company.

The independent directors elect the Lead Director from among the independent directors. A more complete description of the role of the Lead Director is set forth in our Governance Guidelines, which are available on our website at www.travelers.com. The Board believes that its current leadership structure is appropriate for the Company at this time. The Board believes that the responsibilities of the Lead Director help to assure appropriate oversight of Company management by the Board and optimal functioning of the Board. The effectiveness of the Lead Director is enhanced by the Board's independent character. The Board annually reviews the independence of our directors and has determined that 11 of the 12 director nominees are independent. See Director Independence and Independence Determinations on page 18 of this Proxy Statement. Each of the Compensation Committee, Audit Committee, Risk Committee, Nominating and Governance Committee and Investment and Capital Markets Committee is comprised solely of independent directors. In addition, at each in-person Board meeting, the non-employee

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directors are scheduled to meet in executive session with the Lead Director presiding at such meetings.

Finally, as described in more detail under "Specific Considerations Regarding 2012 Directors and Nominees", the Lead Director and the independent directors have substantial experience with public company management and governance, in general, and the Company, in particular. At the same time, the combined role of Chairman and Chief Executive Officer, in the case of the Company, means that the Chair of the Board has longstanding experience with property and casualty insurance and ongoing executive responsibility for the Company. In the Board's view, this enables the Board to better understand the Company and work with management to enhance

shareholder value. In the Board's view, this also enables it to better fulfill its risk oversight responsibilities, as described below. In addition, this enables the Chief Executive Officer to effectively communicate the Board's view to management thereby ensuring a common purpose.

In summary, the Board believes the appropriate leadership structure depends on the opportunities and challenges facing a company at a given time and that a one-size-fits-all approach to corporate governance, with a mandated independent Chair, would deprive the Company of the benefits of its current leadership structure and would not result in better governance or oversight.

Executive Session

Non-employee members of the Board regularly meet in executive session with no members of management present. Each of the committees also meets regularly in executive session.

Board and Committee Evaluations

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Every year, the Board and each of its committees evaluate and discuss their respective performance and effectiveness, as required by the Governance Guidelines. These evaluations cover a wide range of topics, including but not limited to, the fulfillment of

the Board and committee responsibilities identified in the Governance Guidelines and committee charters, which are posted on our website at www.travelers.com under For Investors: Corporate Governance.

Communications with the Board

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As described on our website at www.travelers.com, interested parties, including shareholders, who wish to communicate with a member or members of the Board, including the Chairman of the Nominating and Governance Committee, the non-employee directors as a group, the Lead Director or the Audit Committee, may do so by addressing their correspondence as follows: if intended for the full Board or one or more non-employee directors, to the Lead Director; if

intended for the Lead Director, to Mr. John Dasburg; and if intended for the Audit Committee, to the Chairman of the Audit Committee. All such correspondence should be sent to the following address: c/o Corporate Secretary, The Travelers Companies, Inc., 385 Washington Street, Saint Paul, Minnesota 55102. The office of the Corporate Secretary will forward such correspondence as appropriate.

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Board's Role in Risk Management; Enterprise Risk Management

Enterprise Risk Management is a company-wide initiative that involves the Board and management identifying, assessing and managing risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. Our Enterprise Risk Management activities involve the identification and assessment of a broad range of risks and the development of plans to mitigate their effects. The Risk Committee and the other committees of the Board, as well as our separate management-level enterprise risk and underwriting risk committees, are key elements of our enterprise risk management structure and help to establish and reinforce our strong culture of risk management. For example, having both a Board Risk Committee that oversees operational risks and the Company's Enterprise Risk Management activities, and a management-level enterprise risk committee that reports regularly to the Board Risk Committee, enables a high degree of coordination between management and the Board. We describe our Enterprise Risk Management function in more detail in our Annual Report on Form 10-K, under Business Enterprise Risk Management . We also discuss the alignment of our executive compensation with our risk management below under Risk Management and Compensation .

While the Risk Committee has oversight responsibility generally for our Enterprise Risk Management activities, the Board has allocated and delegated risk oversight responsibility to various committees of the Board in accordance with the following principles:

- The Audit Committee is responsible for oversight of risks related to integrity of financial statements, including oversight of financial reporting principles and policies and internal controls, and oversight of the process for establishing insurance reserves.
- The Risk Committee is responsible for oversight of risks related to business operations, including insurance underwriting and claims, reinsurance, catastrophe risk, credit risk in insurance operations, information technology and business continuity plans.
- The Compensation Committee is responsible for oversight of risks related to compensation programs, including formulation, administration and regulatory compliance.
- The Investment and Capital Markets Committee is responsible for oversight of risks in the Company's investment portfolio (including valuation and credit risks), capital structure, financing arrangements and liquidity.
- The Nominating and Governance Committee is responsible for oversight of risks related to corporate governance matters, including succession planning, director independence and related person transactions.
- Each committee is responsible for monitoring reputational risk to the extent arising out of its allocated subject matter.

As a result, each committee charter contains specific risk oversight functions delegated by the Board, consistent with the principles set forth above. In that way, risk oversight responsibilities are shared by all committees of the Board and do not rest entirely with the Risk Committee. Further, we believe that allocating responsibility to a committee with relevant knowledge and experience improves the oversight of risk. Charters are available on the Company's website at www.travelers.com For Investors: Corporate Governance: Committee Charters.

The allocation of risk oversight responsibility may change, from time to time, based on the evolving needs of the Company. On at least an annual basis, the Board reviews significant risks that management, through its Enterprise Risk Management efforts, has identified and then

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evaluates, and may change, the allocation among the various committees of oversight responsibility for each identified risk. Further, each committee periodically reports to the Board on its risk oversight activities. In addition, the Board has adopted a practice where at least annually, the Company's chief risk officer conducts a review of the interrelationships of risks and reports the results to the Risk Committee and the Board. These reports and reviews are intended to inform the Board's annual evaluation of the allocation of risk oversight responsibility.

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GOVERNANCE OF YOUR COMPANY

Risk Management and Compensation

Our compensation structure is intended to encourage a careful balance of risk and reward, both on an individual risk basis and in the aggregate on a Company-wide basis, and promote a long-term perspective.

As discussed in more detail under "Compensation Discussion and Analysis" in this Proxy Statement, consistent with our goal of achieving a return on equity in the mid-teens over time, the Compensation Committee selected adjusted operating return on equity as the quantitative performance measure for the performance share portion of our stock-based long-term incentive program and as a component for determining amounts paid under our annual bonus program. Because operating return on equity is a function of both operating income and shareholders' equity, it encourages senior executives, as well as other employees with management responsibility, to focus on a variety of performance objectives that are important for creating shareholder value, including the quality and profitability of our underwriting and investing activities and capital management.

In addition, the long-term nature of our stock-based incentive awards (which do not vest until three years

after the award), our significant executive stock ownership requirements and the fact that more than 40% of our named executive officers' compensation in the aggregate was in the form of long-term, stock-based incentives in each of the last four years, including 2011, all encourage prudent enterprise risk management and discourage excessive risk taking to achieve short-term gains. Moreover, neither the long-term incentive awards nor annual bonuses require growth in revenues or earnings in order for our executives to be rewarded, and none of our executives are paid based on a formulaic percentage of revenues or profits. As a result of this and the mix of short- and long-term performance criteria, we believe that our executives are not incentivized to employ disproportionately risky growth strategies.

Furthermore, the Compensation Committee's compensation consultant evaluates and advises the Compensation Committee as to the design and risk implications of our incentive plans and other aspects of our compensation programs to ensure that the mix of compensation, the balance of performance metrics and the overall compensation framework all support our short- and long-term objectives.

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ITEM 2

**ITEM 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

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The Audit Committee has selected KPMG LLP (KPMG) to serve as our independent registered public accounting firm for 2012.

Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of KPMG to our shareholders for ratification because we value our shareholders' views on the Company's independent registered public accounting firm. If our shareholders fail to ratify the selection, it will be considered notice to the Board and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

Representatives of KPMG are expected to be present at the Annual Meeting. They also will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The shares represented by your proxy will be voted FOR the ratification of the selection of KPMG unless you specify otherwise. KPMG has served as the independent registered public accounting firm of the Company (including The St. Paul Companies, Inc. (St. Paul) and its subsidiaries prior to its merger with Travelers Property Casualty Corp. (TPC) that formed the Company (the Merger)) since 1968 and of TPC and its predecessors from December 1993 until the Merger.

Audit and Non-Audit Fees

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In connection with the audit of the 2011 financial statements, we entered into an agreement with KPMG which set forth the terms by which KPMG would perform audit services for the Company.

The following table presents fees for professional services rendered by KPMG for the audit of our financial statements for 2011 and 2010 and fees billed for other services rendered by KPMG for those periods:

	2011	2010
Audit fees(1)	\$8,132,074	\$8,668,682
Audit-related fees(2)	534,419	739,536
Tax fees(3)	403,979	212,874
All other fees		
Total:	\$9,070,472	\$9,621,092

(1) Fees paid were for audits of financial statements, reviews of quarterly financial statements and related reports and reviews of registration statements and certain periodic reports filed with the SEC.

(2) Services primarily consisted of audits of employee benefit plans and reports on internal controls not required by applicable regulations.

(3) Tax fees related primarily to tax return preparation and assistance services and occasionally to domestic and international tax planning.

The Audit Committee of the Board considered whether providing the non-audit services shown in this table was compatible with maintaining KPMG's independence and concluded that it was.

Consistent with SEC policies regarding auditor independence and the Audit Committee's charter, the

Audit Committee has responsibility for appointing, setting compensation for and reviewing the performance of the independent registered public accounting firm. In exercising this responsibility, the Audit Committee preapproves all audit and permitted non-audit services provided by the independent registered public accounting firm. Each year, the Audit Committee approves an annual budget for such permitted non-audit services and requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year. The Audit Committee has authorized our Chief Auditor to approve KPMG's commencement of work on such permitted services within that budget, although the Chair of the Audit Committee must approve any such permitted non-audit service within the budget if the expected cost for that service exceeds \$100,000. During the year, circumstances may arise that make it necessary to engage the independent registered public accounting firm for additional services that would exceed the initial budget. The Audit Committee has delegated the authority to the Chair of the Audit Committee to review such circumstances and to grant approval when appropriate. All such approvals are then reported by the Audit Committee Chair to the full Audit Committee at its next meeting.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012.

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REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee

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The Audit Committee operates pursuant to a charter which is reviewed annually by the Audit Committee. Additionally, a brief description of the primary responsibilities of the Audit Committee is included in Board of Directors Information Audit Committee on page 10 of this Proxy Statement. Under the Audit Committee charter, management is responsible for the preparation, presentation and integrity of the Company's financial statements, the application of accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with U.S. generally accepted accounting principles. In addition, the independent registered public accounting firm is responsible for auditing and expressing an opinion on the Company's internal controls over financial reporting.

In the performance of its oversight function, the Audit Committee reviewed and discussed the audited financial statements of the Company with management and with the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm the

matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with the independent registered public accounting firm their independence.

Based upon the review and discussions described in the preceding paragraph, the Audit Committee recommended to the Board that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC.

Submitted by the Audit Committee of the Company's Board of Directors:

John H. Dasburg (Chair)
Alan L. Beller
Janet M. Dolan

Patricia L. Higgins
Thomas R. Hodgson
Laurie J. Thomsen

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ITEM 3

ITEM 3 NON-BINDING VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company is requesting that shareholders vote, on a non-binding basis, to approve the compensation of our named executive officers as disclosed on pages 29 through 67 of this Proxy Statement. The Company currently intends to hold such votes on an annual basis. Accordingly, the next such vote will be held at the Company's 2013 Annual Meeting of Shareholders. While the Board intends to consider carefully the results of this vote, the final vote is advisory only and is not binding on the Company or the Board.

The language of the resolution is as follows:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and related narrative discussion, is hereby APPROVED.

As described in this Proxy Statement, including the Compensation Discussion and Analysis, our executive compensation programs are structured consistent with our longstanding pay-for-performance philosophy and utilize performance measures that align compensation with the creation of shareholder value and reinforce a long-term perspective. In particular:

- ***A substantial majority of named executive officer compensation is performance-based, as measured by operational results and changes in shareholder value over time.*** For the 2011 performance year, 92% of total direct compensation (salary, bonus and equity) for our CEO was performance-based, and 85% of the average 2011 total direct compensation for the other named executive officers was performance-based. In addition, more than 40% of the average total direct compensation for the named executive officers consisted of equity-based awards, in the form of performance shares and stock options, which incentivizes long-term performance and vest after three years. Consistent with the foregoing, our compensation program de-emphasizes other non-performance-based elements of compensation like pension benefits and perquisites.
- ***Consistent with our pay-for-performance philosophy, while our compensation structure has been consistent over time, actual compensation has often increased or decreased significantly from year to year, based on results.*** For example, the 2011

performance year bonus paid to the CEO and the average bonus paid to the other named executive officers as a group were lower than 2010 bonuses by 28% and 22%, respectively. The Compensation Committee concluded that total compensation for 2011 should be lower than 2010 because it believed that its compensation decisions should reflect not only the Company's and the named executive officers' strong performance but should also take into account the decline in year-over-year financial results caused primarily by the impact of weather-related catastrophe losses.

- ***We have generated top tier total returns to shareholders and return on equity over time.*** Our 2011 Overview in the Compensation Discussion and Analysis section highlights the strong absolute and relative results in 2011 and over time that the Compensation Committee considered in making its compensation decisions. For example, our five-year total return to shareholders of 25.51% (measured as the change in stock price over the five-year period ending December 31, 2011 plus the cumulative amount of dividends, assuming dividend reinvestment) placed us in the top quartile of our Compensation Comparison Group (identified on page 34 of this Proxy Statement). In addition, our return on equity in 2011 and over time has been significantly better than the average for the domestic property casualty insurance industry.

In our 2011 Overview, we provide a chart that shows the meaningful relationship between this superior level of performance and CEO compensation, as compared to our Compensation Comparison Group, for the last five years of available data.

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We believe that our strong performance, not only in 2011 but over the past few years, resulted in large measure from the successful execution of our long-term strategy over a multi-year time period and the careful balance of risk and reward. Further, we believe that our executive compensation program encourages and rewards a long-term focus.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCUSSION AND ANALYSIS

This section of the Proxy Statement explains our compensation philosophy and describes how our compensation programs are designed and operate with

respect to our named executive officers for whom compensation is disclosed in the tables below.

2011 Overview

The year 2011 was the costliest natural catastrophe year on record for the global insurance industry, including Travelers. There were 99 federally declared disasters resulting from catastrophes in the United States, nearly three times the average over the past six decades. For Travelers, catastrophe losses were almost three times higher than the average for the last ten years and more than twice the high levels of catastrophe losses it experienced in 2010.

Notwithstanding these catastrophe losses, and an otherwise difficult business and investment environment, the Company continued to perform strongly, both on an absolute and relative basis, as described below. The Company achieved these results by executing its long-term strategy, which in 2011 and over time has produced returns on equity that are in the top tier of the U.S. property and casualty industry. From 2005 (the first year after the merger between St. Paul and TPC that formed the Company) through December 31, 2011, we achieved an average annual operating return on equity* of 13.0% and an average annual return on equity of 12.3%. In contrast, according to the Insurance Information Institute, the estimated annual return on equity for the domestic property and casualty industry for that period was less than 8%.

In determining the compensation to be awarded to the named executive officers for 2011, the Compensation Committee considered the Company's short- and long-term performance described in further detail below. In addition, the Compensation Committee took into account the following achievements: the successful execution of the Company's pricing strategy in Business Insurance; the Company's expansion in Brazil, representing an important step in the Company's strategy to expand into select international markets; continued effective and disciplined expense management; and the superior execution of its investment strategy, which has enabled the Company

to avoid losses that have significantly impacted many of its competitors and other sophisticated financial institutions over a multi-year period that includes the financial crisis. Despite the Company's continuing strong performance and strategic and operational achievements, the Compensation Committee determined that the meaningfully lower year-over-year financial results should result in significant decreases to the compensation awarded to the named executive officers. Accordingly, total direct compensation (comprised of base salary, annual cash bonus and long-term stock incentives) paid to the CEO and to the other named executive officers as a group with respect to the 2011 performance year decreased by 20% and 15%, respectively, compared to the prior year.

* * *

Strong Performance Despite Challenging Conditions. In addition to the record catastrophe losses discussed above, the Company and its competitors continued to face a challenging business environment in 2011. In particular, yields on both treasury securities and short-term investments reached record lows, which adversely impacted our investment income. Nonetheless, due in large measure to the consistent execution of its long-term strategy, the Company achieved the following:

- **Generated Significant Net Income and Return on Equity in Light of Operating Environment.** We earned net income of \$1.4 billion and had a return on equity of 5.7%. In contrast, according to the Insurance Information Institute, the estimated return on equity for the domestic property and casualty industry in 2011 was less than 4%. The Company's return on equity was at approximately the 70th percentile of U.S. publicly-traded property and casualty companies with market capitalizations in excess of \$500 million.

* For a definition of operating return on equity and a reconciliation of this measure to return on equity, see Reconciliation of Non-GAAP Measures to GAAP Measures on page 78 of this Proxy Statement.

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- **Increased Book Value per Share and Returned Significant Excess Capital to our Shareholders.** During 2011, we increased our book value per share by 7%, after returning to shareholders approximately \$2.9 billion through share repurchases and \$669 million through dividends. This book value per share growth exceeded 60% of the property and casualty companies in our Compensation Comparison Group discussed further below. In addition, over the past five years, we increased our book value per share by approximately 69%, again representing a greater percentage than 60% of the property and casualty companies in our Compensation Comparison Group. We were able to accomplish this significant increase in our book value per share over this period while returning more capital to our shareholders through share repurchases and dividends, as a percentage of market capitalization, than any of the property and casualty companies in our Compensation Comparison Group.

- **Achieved Superior Total Return to Shareholders over Last Five Years.** For the five years ended December 31, 2011, we generated a total return to shareholders (measured as the change in the stock price plus the cumulative amount of dividends, assuming dividend reinvestment) of 25.51%, placing the Company in the top quartile among our Compensation Comparison Group. Our total return to shareholders for the one-year and three-year periods of 9.3% and 42.3%, respectively, approximated the median of our Compensation Comparison Group.

In assessing total return to shareholders, the Compensation Committee generally gives greater weight to performance over a longer period of time, as a long-term perspective is necessary to execute the Company's strategy, particularly in light of the inherent potential for short-term volatility in the insurance industry. Moreover, the Compensation Committee believes that relative total return to shareholders over the three-year period ended December 31, 2011 was less meaningful in the evaluation of our performance over that period. In particular, for many companies in the Compensation Comparison Group, three-year total return to shareholders for that period reflected a recovery from a significant decline that occurred just prior to the start of the period as a result of the 2008 financial crisis. In comparison, Travelers significantly outperformed these companies during the 2008 crisis and, as a result, did not experience as

much of a decline in its share price at the end of 2008.

- **Continued Strong Financial Condition.** As of December 31, 2011, all of our financial strength indicators were at or better than our target levels. During 2011, Standard and Poor's upgraded our financial strength rating from AA- to AA and our senior debt rating from A- to A. Since 2008, we have had upgrades of our debt and financial strength ratings by Standard and Poor's (in 2011), of our debt rating by A.M. Best (in 2010) and our debt and financial strength ratings by Moody's (in 2008). In contrast, since 2008, nine out of the 11 members of our Compensation Comparison Group have had their financial strength, debt ratings or outlook downgraded by at least one of the rating agencies.

- **Achieved Significant Rate Gains.** During 2011, the Company's strategy was to selectively and actively increase premium rates in Business Insurance in response to the persistent low interest rate environment as well as the possibility of continued severe weather in the United States. Specifically, we implemented a plan to increase rate, improve terms and conditions and selectively tighten underwriting guidelines. As a result, the average premium on renewed policies in our Business Insurance segment, our largest segment representing approximately 50% of our 2011 net written premiums, increased at an accelerating pace during 2011. This included a six percentage point renewal price change during the fourth quarter alone.

Pay for Performance Philosophy and 2011 Compensation Decisions. Our compensation program, the objectives and structure of which have been stable over time, is designed to reinforce a long-term perspective and to align the interests of our executives with our shareholders. A long-term perspective is especially vital in the property and casualty insurance industry, where the periodic occurrence of catastrophes, changes in estimates of costs for claims and other economic conditions have historically produced results that vary significantly when measured year-to-year.

Consistent with the Company's longstanding pay-for-performance philosophy and to a greater extent than many of the companies included in the Company's Compensation Comparison Group, a substantial majority of our named executive compensation varies based on performance as measured by operating results and changes in shareholder value over time. The Compensation Committee believes that, when we generally

exceed

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our performance goals and the named executive officers individually perform at superior levels in achieving that performance, total compensation for these executive officers should be set at a level intended to be above the median of the compensation levels for equivalent positions in the Compensation Comparison Group. When we do not generally exceed our performance goals or the named executive officers individually do not perform at superior levels, total compensation for these executives should be set at lesser levels.

In evaluating the Company's overall performance, the Compensation Committee recognizes that our business is subject to events outside of management's control, including natural and man-made catastrophic events, and takes those events into account when awarding compensation. The Compensation Committee believes that, while the impact of catastrophes in any given year can produce significant volatility, management should be focused on achieving the Company's long-term strategic goals. As a result, although the Compensation Committee believes that the impact of catastrophes on the Company's financial results should be reflected in its executive compensation decisions, the Compensation Committee does not believe it is appropriate for compensation levels to be subject to as much volatility year-to-year as may be caused by actual catastrophes. For example, when the Company experienced a relatively low level of catastrophe losses in 2006 and 2007, the Compensation Committee did not increase executive compensation fully commensurate with the improved operating income per share that resulted from such favorable loss experience. Similarly, the Compensation Committee does not believe that an executive's annual compensation should strictly correlate with the Company's loss experience when there are unexpectedly high catastrophe losses.

With respect to its 2011 compensation decisions, the Compensation Committee concluded that based on the achievements discussed above, among other

things, the Company and the named executive officers had performed at superior levels. The Compensation Committee also determined that, while our named executive officers should receive total compensation for the 2011 performance year that would reward them for that performance, total compensation should be reduced to take into account the year-over-year decline in the Company's financial results, including the decline in operating return on equity from 12.5% in 2010 to 6.1% in 2011, due primarily to the impact of catastrophe losses.

Balancing these factors, in February 2012, the Compensation Committee decided to reduce total compensation awards meaningfully. The compensation awards were intended to position the CEO and the named executive officers as a group above the median compared to the Compensation Comparison Group but at a lower percentile than for the previous year, when compensation was targeted at the 75th percentile due to exceptional performance. Specifically, the Compensation Committee made the following compensation decisions with respect to the 2011 fiscal year:

- The annual cash bonus paid to the CEO and the average annual cash bonus paid to the other named executive officers as a group decreased by 28% and 22%, respectively.
- The grant date fair value of stock-based long-term incentive compensation awarded to the CEO and the average grant date fair value of stock-based long-term incentive compensation awarded to the other named executive officers decreased by 17% and 11%, respectively.

Separately, the Compensation Committee decided that base salary levels for the named executive officers in 2012 would remain unchanged from 2011 levels, including the base salary for the CEO, whose base salary has remained unchanged since 2001.

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Link between Pay and Performance over Time. While our compensation program objectives and structure have been stable over time, compensation levels for

each performance year have often increased or decreased meaningfully from year to year based on Company performance.

Relationship between CEO Compensation and Operating Return on Equity

The following two charts illustrate the directional relationship between total direct compensation for the CEO and Company performance, as reflected by operating return on equity, with respect to the past five performance years (PY).

(1) Adjustment reflects what operating return on equity for PY2011 would have been had 2011 catastrophe losses only been at 2010's high levels, which were approximately 20% higher than average losses over the past 10 years, instead of at 2011's record levels, which were almost three times that average.

Differences between total direct compensation for each performance year presented above and the information included in the Company's Summary Compensation Table is discussed further below under Total Direct Compensation for 2009 - 2011 (Supplemental Table) and Differences Between this Supplemental Table and the Summary Compensation Table on page 50 .

Use of Operating Return on Equity. While the Compensation Committee evaluates a broad range of financial and non-financial metrics in awarding performance-based annual cash bonuses, operating return on equity, in particular, is a principal factor in the Compensation Committee's evaluation of the Company's performance. For example, the Committee used operating return on equity in its evaluation of performance when it determined the annual cash bonuses paid to the named executive officers for each of the five years presented. Moreover, as discussed below, the number of performance shares that a named executive officer will receive upon vesting, if any, depends on the Company's attainment of specific financial goals related to operating return on equity.

Operating return on equity is not a single metric. Rather, by being a function of both (1) operating income and (2) shareholders' equity (excluding unrealized gains and losses on investments), operating return on equity reflects a number of separate areas of financial performance. Accordingly, senior executives, as well as other employees with management responsibility, are encouraged to focus on multiple performance objectives that are important for creating shareholder value, including the quality and profitability of our underwriting decisions, the pricing of our policies, the effectiveness of our claims management, the risk-adjusted returns of our fixed-income and non-fixed-income investing activities and the efficacy of our capital and risk management.

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Relationship between CEO Compensation and Relative Performance over the Last Five Years of Available Data

The following chart demonstrates the Company's performance as compared to the other companies in its Compensation Comparison Group over the five-year period ended December 31, 2011 based on a number of different metrics that we believe are relevant in assessing performance over time. The chart also shows our CEO's total compensation compared to total compensation paid to the CEOs of our Compensation Comparison Group for the five-year period from 2006 through 2010, the most recent five years for which comparative financial information was available, as reported in the summary compensation tables in the peer group's proxy statements that were issued for those years.

Objectives of Our Executive Compensation Program

The Compensation Committee has approved the following five primary objectives of our executive compensation program.

1. *Link compensation to the achievement of our short- and long-term financial and strategic objectives*

The Compensation Committee believes that a properly structured compensation system should measure and reward performance on multiple bases. To ensure an appropriate degree of balance in the program, the compensation system is designed to measure short- and long-term financial and operating performance, the efficiency with which capital is employed in the business, the effective management of risk, the achievement of strategic initiatives and the individual performance of each executive.

The Compensation Committee further believes that an executive's total compensation opportunity should be commensurate with his or her position and level of responsibility. Accordingly, the proportion of total compensation that is performance-based increases with successively higher levels of responsibility. Thus,

the senior-most executives who are responsible for the development and execution of our strategic and financial plans have the largest portion of their compensation tied to performance-based incentives, including equity-based compensation, the ultimate value of which is completely or partly dependent on changes in stock price and return on equity.

2. *Provide competitive compensation opportunities to attract, retain and motivate high-performing executive talent*

Our overall compensation levels are designed to attract and retain the best executives in light of the competition for executive talent. While the CEO's salary, which has not changed since 2001, approximates the 25th percentile, the Compensation Committee generally targets base salary for executive officers, including the named executive officers, at the 50th percentile for equivalent positions at the Compensation Comparison Group. In addition, the Compensation Committee believes that, when we generally exceed our performance goals and the named executive officers individually perform at

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superior levels in achieving that performance, total compensation for these executive officers should be above the median of the compensation levels for equivalent positions in the Compensation Comparison Group. When we do not generally exceed our performance goals or the named executive officers individually do not perform at superior levels, total compensation for these executives should be set at lesser levels.

The Compensation Committee may also take into account other relevant facts and circumstances in awarding compensation in order to attract, retain and motivate high performing talent.

3. *Align the interests of management and shareholders by paying a substantial portion of total compensation in equity-based incentives and ensuring that executives accumulate meaningful stock ownership stakes over their tenure*

The Compensation Committee believes that the interests of executives and shareholders should be aligned. Accordingly, a significant portion of the total compensation for the named executive officers is in the form of stock-based compensation that does not vest until three years after the award is made. The components of stock-based compensation granted to the named executive officers in 2011 and 2012 were stock options and performance shares. In addition, as discussed below, senior executives are expected to achieve specified stock ownership targets prior to selling any stock acquired upon the exercise of stock options or the vesting of performance shares or restricted stock units (other than to pay the exercise price of options or related tax withholding). The portion of total compensation attributable to stock-based programs, and the expected level of executive stock ownership, increase with successively higher levels of responsibility.

4. *Maximize, to the extent equitable and practicable, the financial efficiency of the overall compensation program from tax, accounting, cash flow and share dilution perspectives*

We make reasonable efforts to maximize the tax deductibility of all elements of compensation. Section 162(m) of the Internal Revenue Code prohibits us from deducting compensation in excess of \$1 million paid to most of the named executive officers, unless specified requirements are met, including that such amounts be considered qualified performance-based compensation under Section 162(m).

The Compensation Committee may also approve compensation that does not qualify for a deduction under Section 162(m) if it determines that it is appropriate to do so in light of other competing interests and goals, such as the attraction and retention of key executives.

As part of the process of approving the initial design of incentive plans, or any subsequent modifications made to such plans, and determining awards under the plans, the Compensation Committee also evaluates the aggregate economic costs and dilutive impact to shareholders of such compensation, the expected accounting treatment and the impact on our financial results. The Compensation Committee attempts to balance the various financial implications of each program to ensure that the system is as efficient as possible and that unnecessary costs are avoided.

5. *Reflect established and evolving corporate governance standards*

The Compensation Committee, with the assistance of our Human Resources Department and the Committee's compensation consultant, stays abreast of current and developing corporate governance standards and trends with respect to executive compensation and adjusts the various

elements of our executive compensation program, from time to time, as it deems appropriate.

Compensation Comparison Group

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The Compensation Comparison Group consisted of the following companies in the property and casualty insurance business:

- ACE Ltd.
- Allstate Corporation
- Chubb Corporation
- Hartford Financial Services Group
- Progressive Corporation

The Compensation Comparison Group also included the following general financial services and life and health insurance companies:

- Aetna, Inc.
- American Express
- CIGNA Corporation
- Manulife Financial Corporation
- MetLife Inc.
- Prudential Financial Inc.

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The Compensation Comparison Group includes (1) our key competitors in the property and casualty insurance industry and (2) general financial services and life and health insurance companies that in general are of relatively similar size and complexity. We regard these general financial services and life and health insurance companies as potential competition

for executive talent. The Compensation Comparison Group has not changed since 2009.

As of December 31, 2011, the Company was in the 55th percentile of the Compensation Comparison Group based on assets, the 45th percentile based on revenues and the 64th percentile based on market capitalization.

Compensation Elements

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We deliver executive compensation through a combination of base salary and performance-based compensation consisting of an annual cash bonus and stock-based, long-term incentive awards. We also provide benefits and limited perquisites. Total direct compensation for a performance year consists of base salary, along with annual cash bonuses earned and stock-based long-term incentive awards granted to our named executive officers in February of each year with respect to the performance in the prior year.

- In recent years, the Compensation Committee has determined that the allocation of compensation between performance-based annual cash bonus and stock-based long-term incentives should be somewhat more heavily weighted towards cash bonus as compared to the Compensation Comparison Group. The Compensation Committee believes that this allocation is appropriate in light of the fact that a higher percentage of the named executive officers' total compensation is performance-based as compared to the peer average and peer median of the Compensation Comparison Group. In particular, unlike a number of other companies in the Compensation Comparison Group, equity awards made to the named executive officers are all performance-based, and a smaller portion of our compensation opportunity is delivered through non-performance-based pension benefits and perquisites.
- The components of stock-based compensation granted to the named executive officers in 2011 and 2012 were stock options and performance shares. Because performance shares only vest if adjusted return on equity thresholds are met, and because options provide value only if our stock price appreciates, the Compensation Committee believes that such compensation is all performance-based; that is, the compensation awarded to our named executive officers does not include awards where compensation is earned solely due to the passage of time, without regard to performance.

Total Direct Compensation

The following table sets forth the composition of total direct compensation for the CEO and our other named executive officers for the 2011 performance year:

	Percentage of Total Direct Compensation of CEO	Percentage of Average Total Direct Compensation of Other NEOs
Current Base Salary Rate	8%	15%
Performance-Based Annual Cash Bonus	34%	44%
Performance-Based Long-Term Stock Incentives	58%	41%

Base Salary

The Compensation Committee generally sets base salary for executive officers, including the named executive officers, at a level that is targeted at the 50th percentile for equivalent positions in the Compensation Comparison Group. This positioning is targeted because, among other things, it helps us to attract and retain high-quality talent and enables us to grant the substantial majority of our named executive officers' compensation in the form of variable performance-based compensation.

Individual salaries may range above or below the median based on a variety of factors, including the potential impact of the executive's role at the Company, the terms of the executive's employment agreement, if any, the experience the executive brings to the position and the performance and potential of the executive in his or her role. Base salaries are reviewed annually, and adjustments are made from time to time as the Compensation Committee deems appropriate to recognize performance, changes in duties and/or changes in the competitive marketplace.

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Further, because salaries for named executive officers are typically changed infrequently, at the time the Compensation Committee increases the salaries of executives who have not received an increase in several years, such salaries on average may initially be somewhat higher than the 50th percentile indicated by the most recently available data on the basis that over time they are expected to approximate the 50th percentile.

In each of February 2011 and 2012, the Compensation Committee decided not to change the base salaries of the named executive officers.

The CEO's 2011 base salary of \$1,000,000 was at approximately the 25th percentile of the Compensation Comparison Group.

Performance-Based Annual Cash Bonus

The named executive officers are eligible to earn performance-based annual cash bonuses under the Senior Executive Performance Plan, a plan approved by our shareholders in 2002. Annual bonuses are short-term compensation awards that are based upon the individual performance of each executive as well as that of the Company as a whole. These bonuses are intended to motivate and promote the achievement of our operating performance objectives and strategic initiatives that are important to our success, as well as individual contributions toward those ends.

Description of Senior Executive Performance Plan. The Senior Executive Performance Plan is designed to comply with the qualified performance-based compensation requirements of Section 162(m) of the Internal Revenue Code so that the annual bonus payments to named executive officers could be fully tax deductible. The Senior Executive Performance Plan contains a formula that was approved by shareholders and which is used to determine the maximum amount of the annual bonus pool. Under the Senior Executive Performance Plan, the Compensation Committee sets the potential maximum award for each named executive officer as a percentage of the aggregate pool on an annual basis.

The bonus pool determined under the Senior Executive Performance Plan is not an expectation of the amount of bonuses that will actually be paid. Rather, the bonus pool and the maximum individual allocations established thereunder represent the maximum amount of bonus awards that the Compensation Committee may approve as qualified performance-based

compensation for tax purposes pursuant to Section 162(m). Accordingly, the Compensation Committee may determine, in its discretion, not to grant bonuses even when the formula results in funding a positive amount. Alternatively, even if the target under the Senior Executive Performance Plan is not achieved and no bonus pool is available under the Senior Executive Performance Plan, the Compensation Committee could award bonuses to the named executive officers if, in the exercise of its business judgment, the Compensation Committee determines that they are warranted under the circumstances and in the best interest of the Company. In such a case, the bonuses would be awarded outside the Senior Executive Performance Plan and would not qualify as performance-based compensation under Section 162(m).

The formula in the Senior Executive Performance Plan provides generally that, if our return on equity (determined by dividing after-tax operating earnings by total common shareholders' equity as of the beginning of the fiscal year, adjusted to exclude net unrealized appreciation or depreciation of investments) is greater than 8%, then the pool available to pay bonuses will equal 1.5% of the after-tax operating earnings. The Senior Executive Performance Plan defines after-tax operating earnings as our net income from continuing operations for the performance period as reported in our financial statements for the performance period, adjusted to eliminate the after-tax effects of the following items:

- net realized investment gains or losses in our fixed maturities and real estate portfolios;

- extraordinary items and the cumulative effect of accounting changes as each is defined by U.S. generally accepted accounting principles (GAAP);
- restructuring charges;
- losses in our core businesses from officially designated catastrophes; and
- underwriting results of our non-core , or exited, businesses placed into run-off.

Description of Performance-Year 2011 Bonuses Paid under the Senior Executive Performance Plan. Due to our after-tax operating earnings in 2011, we achieved a return on equity, as defined under the Senior Executive Performance Plan, of 13.0%, which resulted

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in a pool of \$46.0 million available for bonuses for the named executive officers that would be deductible under Section 162(m). For the 2011 performance period (and consistent with the prior two years), the maximum percentage of the pool payable to each of the named executive officers was set at 35% for the CEO, 20% for the next most highly compensated named executive officer and 15% for the other named executive officers.

Because the amount of our after-tax operating earnings generated a larger bonus pool than was necessary for awarding bonuses consistent with the Compensation Committee's objectives, the Compensation Committee, as it has done in prior years, exercised its discretion to award less than the maximum amount that could have been awarded under the Plan as qualified performance-based compensation. As discussed below, the Compensation Committee awarded a total of \$13.15 million in bonuses to the named executive officers for the 2011 performance period.

In determining the actual annual bonuses awarded, the Compensation Committee applied its business judgment and considered a number of factors, including:

- Company, business segment and/or investment results relative to the various financial measures set forth in our 2011 business plan that was established and approved by the Board at the end of 2010;
- the performance of the executive;
- compensation market practices as reflected by the Compensation Comparison Group in the most recent publicly available data;
- our performance relative to the companies in the Compensation Comparison Group along with other companies in the property and casualty industry, with a particular emphasis on return on equity adjusted for expected (that is, budgeted) catastrophes; and
- past awards to the executive.

In determining these bonuses, the Compensation Committee also considered additional qualitative factors, such as:

- the strategic positioning of the Company and the applicable business unit;
- the progress made on strategic and technology initiatives;
- the identification and achievement of cost efficiencies (or, when appropriate, the maintenance of a business segment's cost competitiveness);
- the effective management of risk;

- the demonstration of leadership, teamwork and innovation; and

- the extent of accomplishment of the applicable business unit's business plan.

With regard to CEO performance, the Compensation Committee also considered his development of management expertise, management depth and succession plans.

The achievement, or inability to achieve, any particular financial or operational measure in a given year neither guarantees nor precludes the payment of an award but is considered by the Compensation Committee as one of several factors in light of the other factors noted and any additional information available to it at the time, including market conditions in general. The Compensation Committee does not use a formula or assign any particular relative weighting to any performance measure. However, as discussed below, the Compensation Committee generally weighs financial performance (particularly return on equity) and comparable compensation information more heavily than other factors.

The Compensation Committee believes that a formulaic approach to compensation could result in unintended consequences and is not an appropriate substitute for the Compensation Committee's thorough deliberation and business judgment. This approach allows the Compensation Committee to appropriately assess the quality of performance results and ensures that executives are not unduly rewarded, or disadvantaged, based purely on mechanical formulas.

2011 Financial Goals; Operating Return on Equity Target. As one part of evaluating the foregoing factors for 2011, the Compensation Committee established in February 2011 specific targets for both operating return on equity and operating return on equity adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages. These targets were

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consistent with the 2011 financial plan approved by the Board at the end of 2010.

One of management's important responsibilities is to produce an appropriate return on equity for our shareholders and to develop and execute financial and operational plans consistent with our financial goal of achieving a mid-teens return on equity over time. The Compensation Committee also recognizes, however, the historic cyclicity of our business and that there may be times when the return on equity achievable in a given year is greater than, or less than, a mid-teens level. The Compensation Committee believes that due to, among other things, the expectation that interest rates are likely to remain low over the next several years, returns that will qualify as top tier performance will be lower than a mid-teens return on equity over the next several years. In terms of evaluating the appropriateness of the targets set for return on equity, the Compensation Committee considers our return on equity relative to the Compensation Comparison Group and to the U.S. property and casualty industry generally and relative to our cost of equity capital, which we believe has decreased by more than 20% over the past five years.

When the Board approved our 2011 business plan, both management and the Board believed the plan to be reasonably difficult to achieve. That plan targeted (1) an operating return on equity of 10.4% and (2) an operating return on equity, adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages, of approximately 12.4%. The adjustments to operating return on equity for prior year reserve developments related to asbestos and environmental coverages were made because, to a significant degree, those items relate to policies that were written decades ago and, particularly in the case of asbestos, arise to a significant extent as a result of court decisions and other trends that have attempted to expand insurance coverage far beyond what we believe to be the intent of the original parties. Accordingly, the financial impact is largely beyond the control of current management.

The targeted returns reflected management's expectation of continued margin compression from anticipated pricing and loss cost trends in 2011, as well as management's expectation that interest rates would remain low during 2011. In addition, the targeted returns also took into account the Company's lower cost of equity capital as a result of lower levels of volatility in the Company's stock price over the past

few years and the reduction in the market risk-free rate of return.

During 2011, the Compensation Committee reviewed management's progress in meeting a broad range of financial and operational metrics included in the financial plan approved by the Board. On a quarterly basis, the Compensation Committee evaluated the Company's performance in respect of these metrics, including premium revenues, investment income, insurance losses, expense management and the resulting operating income. However, while the Compensation Committee evaluated a broad range of metrics quarterly, the Compensation Committee considered return on equity to be the most important metric in its evaluation of the Company's performance, and it reviewed other metrics in light of their contribution to the Company's return on equity goals.

For 2011, our operating return on equity was 6.1%, which was less than our target of 10.4%. Our adjusted operating return on equity, excluding catastrophes and prior year reserve development related to asbestos and environmental coverages, was 13.5%, which exceeded our target on this basis of 12.4%. While we were unable to meet our unadjusted target for operating return on equity, in evaluating the Company's performance, the Compensation Committee considered that if 2011 catastrophes losses had equaled average losses over the past ten years, the Company would have exceeded its target for unadjusted operating return on equity.

In addition, the Compensation Committee believes that the results reflected: solid underwriting performance, including favorable prior year reserve development not related to asbestos and environmental matters; strong investment performance, especially in light of historically low interest rates and a challenging environment for our non-fixed income portfolio; the favorable impact of the Company's capital management, particularly its share repurchase program; and superior performance in comparison to the U.S. property and casualty industry as a whole. In particular, the Company's return on equity in 2011 was at approximately the 70th percentile of U.S. publicly-traded property and casualty companies with market capitalizations in excess of \$500 million. Further, in assessing the Company's return on equity relative to the five other property and casualty companies in the Compensation Comparison Group, the Compensation Committee considered that, while three of those companies had higher returns in 2011, one of those companies does not have the same level of legacy

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liabilities as the Company and another underwrites primarily short-tail exposures, which enables it to operate with lower ratings and a higher debt-to-equity ratio. Thus, the Compensation Committee concluded that the Company's return on equity was in the top tier of the industry as a whole and stronger relative to the property and casualty companies in the Compensation Comparison Group than reported returns would initially indicate.

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At its February 2012 meeting, the Compensation Committee considered the quantitative and qualitative factors described above and the substantial contributions made by the named executive officers in meeting the 2011 target for adjusted operating return on equity described above. This included the strong absolute and relative performance described under 2011 Overview. The Compensation Committee believed that all of the named executive officers individually performed at superior levels and contributed substantially to our results. The Compensation Committee also placed significant weight on the fact that the executive officers, including the named executive officers, were highly effective working as a team. The cash bonus for Mr. Fishman in particular recognizes his Company and industry leadership, strategic vision and oversight of the successful implementation of the long-term strategy; his ability to attract, retain and motivate a strong senior management team; and, more broadly, his cultivation of an effective corporate culture that prioritizes a proper balance of risk and reward. The cash bonus amounts for the other named executive officers recognize their superior individual performances and the scope of their respective responsibilities.

Notwithstanding the superior individual performance and top tier Company performance in 2011, the cash bonus amounts reflect the fact that the Company did not achieve its 2011 target for unadjusted operating return on equity and operating income per share declined from 2010 levels. Consistent with its approach to catastrophes, as discussed above, the Compensation Committee determined that the impact of catastrophes on the Company's financial results for 2011 should be reflected in executive compensation, but the impact on executive compensation should not be strictly correlated with the Company's annual loss experience.

In light of the foregoing, the Compensation Committee determined in its judgment to award a cash bonus of \$4.5 million to the CEO and, as set forth in more detail under Total Direct Compensation for 2009-2011, an average cash bonus of \$2.2 million to the other named executive officers. These amounts were down 28% and 22%, respectively, from the prior year.

Performance-Based Long-Term Stock Incentives

As described below, in 2011, performance-based long-term compensation was awarded to the named executive officers in the form of stock options and performance shares. Our stock-based long-term incentive awards are designed to further our goals described under Objectives of Our Executive Compensation Program, including ensuring that our executive officers have a continuing stake in our long-term success and manage the business with a long-term risk-adjusted perspective.

At its February 2011 meeting, the Compensation Committee awarded the CEO stock-based long-term incentive grants with a grant date fair value of \$9 million, which was 18% lower than the prior year grant. At the same meeting, the Compensation Committee awarded the named executive officers (other than the CEO) annual stock-based long-term incentive grants ranging from \$2.25 million to \$2.5 million. The Compensation Committee set the amounts of such incentive grants in light of the Company's and the named executive officers' superior performance in 2010 and in order to position the total compensation of the CEO and the other named executive officers as a group in what the Compensation Committee believed would be the top quartile of the Compensation Comparison Group for the 2010 performance year due to such top tier performance. They believed it was appropriate to reduce the CEO's equity grant from the prior year level and to adjust grants made to the other named executive officers in light of the fact that net income and return on equity declined from 2009 levels and that such decline was due to a number of factors, particularly the impact of higher catastrophe losses. For the named executive officers other than the CEO, the Compensation Committee also considered that the absolute grant date value of the grants, while approximately even with the prior year grants, was modestly lower as a percentage of base salary in effect at the time of grant.

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COMPENSATION DISCUSSION AND ANALYSIS

At its February 2012 meeting, the Compensation Committee awarded the CEO stock-based long-term incentive grants with a grant date fair value of \$7.5 million. At the same meeting, the Compensation Committee awarded the named executive officers (other than the CEO) annual stock-based long-term incentive grants ranging from \$2 million to \$2.25 million. The Compensation Committee believed that such awards were appropriate in light of the Company's and the named executive officers' strong 2011 performance. They also believed it was appropriate to reduce the CEO's equity grant by 17% and to reduce the average equity grant of the named executive officers (other than the CEO) by 11% from the prior year level in light of the fact that operating income per share and return on equity declined from 2010 levels due to a number of factors, particularly the impact of higher catastrophe losses and record low interest rates. The compensation awards were intended to position the CEO and the other named executive officers as a group above the median compared to the Compensation Comparison Group but at a lower percentile than for the previous year, when compensation was targeted at the 75th percentile due to exceptional performance.

The ultimate value of stock-based long-term incentive awards at the time of vesting or exercise (in the case of stock options) may be greater than or less than the grant date fair value, depending upon our operating performance and changes in the value of our stock price. Unless otherwise noted, the grant date fair values of long-term incentive awards are computed in accordance with the accounting standards described in footnote (2) to the Summary Compensation Table on page 50.

The Compensation Committee, with advice from its compensation consultant, developed guidelines for the allocation of annual grants of equity compensation between stock options and performance shares. These allocations are intended to result in a mix of long-term incentives that is sufficiently performance-based and will result in (1) a large component of total compensation being variable and tied to the achievement of specific, multi-year operating performance objectives and (2) an appropriate portion being tied solely to changes in shareholder value. Under the guidelines, the mix of long-term incentives for the named executive officers is approximately 40% stock options and 60% performance shares, based on the grant date fair value of the awards. The mix of long-term incentive compensation reflects the

Compensation Committee's judgment as to the appropriate balance of these incentives to achieve its objectives. While the grant date fair values of equity awards granted to named executive officers take into account both individual and Company performance, the mix of equity incentives does not. For details of the equity awards granted in calendar year 2011, refer to the Tabular Executive Compensation Disclosure Grants of Plan-Based Awards in 2011 on page 52.

Stock Options. All stock options are granted with an exercise price equal to the closing price of the underlying shares on the date of grant. Our annual award of stock options generally has an expiration date of ten years from the date of grant, vests 100% three years after the date of grant and does not accelerate upon a change of control. Under the 2004 Stock Incentive Plan, stock options cannot be repriced unless such repricing is approved by our shareholders.

The Compensation Committee's annual option award to the CEO had a grant date fair value of \$3.6 million for the February 2011 award and \$3.0 million for the February 2012 award. The Compensation Committee's annual option awards to the other named executive officers had a grant date fair value of from \$0.9 million to \$1.0 million for the February 2011 awards and from \$0.8 million to \$0.9 million for the February 2012 awards.

Performance Shares. Under our program for granting performance shares, we may grant performance shares to certain of our employees who hold positions of Vice President (or its equivalent) or above, including the named executive officers. These awards provide the recipient with the right to receive a variable number of shares of our common stock based upon our attainment of specified performance goals discussed below. The performance goals for performance share awards granted in 2011 and 2012 are based upon our attaining various adjusted returns on equity over three-year performance periods commencing January 1, 2011 and ending December 31, 2013 and January 1, 2012 and ending December 31, 2014, respectively (in each case, Performance Period Return on Equity). Performance Period Return on Equity represents the average of the Adjusted Return on Equity for each of the three calendar years in the Performance Period Return on Equity. The Adjusted Return on Equity for each calendar year is determined by dividing Adjusted Operating Income by Adjusted Shareholders' Equity for the year, as defined below.

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COMPENSATION DISCUSSION AND ANALYSIS

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Adjusted Operating Income, as defined in the Performance Share Awards Program, excludes the after-tax effects of:

- specified losses from officially designated catastrophes,
- asbestos and environmental reserve charges or releases,
- net realized investment gains or losses in the fixed maturities and real estate portfolios,
- extraordinary items and
- restructuring charges and the cumulative effect of accounting changes and federal income tax rate changes, each as defined by GAAP, and each as reported in our financial statements (including accompanying footnotes and management's discussion and analysis);

and is then reduced by the after-tax dollar amount for expected normal catastrophe losses. In the first year of the performance period, such expected normal catastrophe losses are represented by a fixed amount set forth in the terms of the performance shares (\$469 million for 2011). In the two subsequent years of the performance period, such fixed amount for catastrophes is adjusted up or down to generally reflect any increases or decreases, as the case may be, in written premiums in certain commercial and personal lines.

For performance share awards granted in February 2011 and February 2012, the Compensation Committee further adjusted Adjusted Operating Income to reduce Performance Period Return on Equity by an amount reflecting the historical level of credit losses (on an after-tax basis) associated with our fixed income investments. The Compensation Committee believes this reduction is appropriate because, notwithstanding the increased level of impairments experienced by financial services firms in the recent economic downturn, credit losses in our fixed income portfolio otherwise would not be reflected in adjusted operating income. Specifically, for performance share awards granted in February 2011 and February 2012, the annual reduction is determined by multiplying a fixed factor (expressed as 2.25 basis points) by the amortized cost of the fixed maturity investment portfolio at the beginning of each quarter during the relevant year in the performance period and adding such amounts (on an after-tax basis) for each year in the performance period.

Adjusted Shareholders' Equity for each year in the performance period is defined in the Performance Share Awards Program as the sum of our total common shareholders' equity, as reported on our balance sheet as of the beginning and end of the year (excluding net unrealized appreciation or depreciation of investments and adjusted as set forth in the immediately following sentence), divided by two. In calculating Adjusted Shareholders' Equity, our total common shareholders' equity as of the beginning and end of the year is adjusted to remove the cumulative after-tax impact of the following items during the performance period: (1) discontinued operations and (2) the adjustments and reductions made in calculating Adjusted Operating Income.

The Compensation Committee selected Performance Period Return on Equity as the performance measure in the Performance Share Plan because the Compensation Committee believes it is the best measure of return to shareholders and efficient use of capital over a multi-year period, as described further above under 2011 Overview.

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The Compensation Committee seeks to establish the Performance Period Return on Equity standards such that 100% vesting requires a level of performance over the performance period that is expected to be in the top tier of the industry. In considering what would constitute such top tier performance over a future three-year period, the Compensation Committee considers the recent and more historical trends in return on equity of the property and casualty insurance industry, our Compensation Comparison Group and the Company, as well as current and expected underwriting and investment market conditions, our business plan and the Company's cost of equity capital. Thus, while the Compensation Committee decided not to implement a formulaic calculation based on relative performance, which it believed could result in over or under compensation, it did set the Performance Period Return on Equity Standards after considering the level of historical and expected performance that would constitute superior returns.

In addition, in establishing the Performance Period Return on Equity shown in the chart below, the Compensation Committee also considered our financial goal of achieving a return on equity in the mid-teens over time and that such a return on equity would, in its view, be reasonably difficult to achieve over the next three-year period.

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COMPENSATION DISCUSSION AND ANALYSIS

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For performance shares granted in 2011 and 2012, actual distributions are contingent upon our attaining Performance Period Return on Equity as indicated on the following chart. Performance falling between any of the identified points in the chart below will result in an interpolated vesting (for example, for shares granted in 2011, a 14% Performance Period Return on Equity will yield a vesting of 115%).

Performance Shares Granted in 2011 and 2012: Performance Period Return on Equity Standard

	Performance Period Return on Equity	Vesting Percentage
Maximum	≥15.0%	130%
	14.5%	120%
	13.5%	110%
	10.0%	100%
	8.5%	75%
Threshold	7.0%	50%
	<7.0%	0%

Because the performance shares are a long-term incentive intended to align a significant portion of our executives' compensation with return on equity objectives over time, the Compensation Committee prefers to maintain consistency in the Performance Period Return on Equity standards. However, the Compensation Committee does from time to time make adjustments if it determines that there have been significant changes in the returns that it expects to constitute top tier performance.

The Compensation Committee believes that underwriting and investment market conditions are likely to continue to impact industry-wide returns adversely in the near to medium term. In addition, as a result of lower levels of volatility in the Company's stock price over the past few years and the reduction in the risk-free rate of return, the Company's cost of equity capital has declined. Based on these two factors, the Compensation Committee believes that returns that qualify as top tier performance will be somewhat lower over the next several years as compared to recent years. As a result, when it established the terms of performance shares granted in 2011 and 2012, it believed that a downward adjustment to Performance Period Return on Equity standards would better balance potential payouts and relative performance. Accordingly, the Compensation Committee, in February 2011, reduced the Performance Period Return on Equity required for 100% vesting for the

performance shares granted in February 2011 from 12% to 10% and made conforming changes to the returns required for vesting at less than 100%. However, to balance this change against the possibility that the named executive officers might be unduly rewarded in the event that market conditions turn out to be more favorable than expected, the Compensation Committee left unchanged the returns required for greater than 100% vesting and reduced the top vesting percentage from 150% to 130%. At its February 2012 meeting, the Compensation Committee determined to adopt the same performance period return on equity percentages with respect to the 2012 awards as were applicable to the 2011 awards. Once expectations for investment returns and insurance pricing return to more normal levels by historical standards, the Compensation Committee intends to revert back to Performance Period Return on Equity standards that are the same as or closer to those in the February 2010 grant.

To support our recruitment and retention objectives and to encourage a long-term focus on our operations, the performance shares vest after the completion of the three-year performance period, subject to the participants' continued employment and the satisfaction of the requisite performance goals. The program does not provide for accelerated vesting due to a change in control of the Company. However, the program provides for accelerated vesting and/or waiver of service requirements in the event of death or disability (and pro-rata vesting in the case of retirement), as defined in the awards. Further, the CEO is entitled, under his employment agreement, to accelerated vesting in the event of a voluntary termination for good reason or an involuntary termination without cause (as defined). These provisions are described in more detail under Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key Agreements Mr. Fishman's Employment Agreement.

New performance share cycles commence annually and overlap one another, helping to foster strong retention and reduce the impact of the volatility in compensation associated with changes in our annual return on equity performance. Dividend equivalent shares are paid with respect to performance shares actually earned at the same vesting percentage as the underlying performance shares.

The Compensation Committee awarded the CEO \$5.4 million in performance shares in February 2011

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COMPENSATION DISCUSSION AND ANALYSIS

and \$4.5 million in performance shares in February 2012. These grant date fair values were determined by multiplying the number of performance shares awarded, assuming 100% vesting, by the closing price of our common stock on the date of grant (\$56.81 and \$59.74 in 2011 and 2012, respectively). The Compensation Committee also awarded performance shares to each of the named executive officers (other than the CEO) ranging from \$1.35 million to \$1.5 million in 2011 and from \$1.2 million to \$1.35 million in 2012.

Other Compensation

Pension Plans

The Company provides retirement benefits as part of a competitive pay package to retain its employees. Specifically, we currently offer all of our employees a tax-qualified defined benefit plan with a cash-balance formula, with some grandfathered participants accruing benefits under a final average pay formula. Also, a number of employees and executives participate or have accrued benefits in other pension plans which are frozen as to new participants and/or new accruals. Under the cash balance formula, each enrolled employee has a hypothetical account balance that grows with interest and pays credits each year.

In addition, we sponsor a non-qualified excess benefit retirement plan that covers all employees whose tax-qualified plan benefit is limited by the Internal Revenue Code with respect to the amount of compensation that can be taken into account under a tax-qualified plan. The non-qualified plan makes up for the benefits that cannot be provided by the qualified plan as a result of those Internal Revenue Code limits by using the same cash-balance pension formula that applies under the qualified plan. The purpose of this plan is to ensure that employees who receive retirement benefits only through the qualified cash balance plan and employees whose qualified plan benefit is limited by the Internal Revenue Code are treated substantially the same.

The details of the existing plans are described more fully under [Tabular Executive Compensation Disclosure Post-Employment Compensation Pension Benefits](#) on page 58 of this Proxy Statement.

Deferred Compensation

We offer a tax-qualified 401(k) Plan to our employees and a non-qualified deferred compensation plan to those of our employees whose annual salary is at least \$150,000. Both plans are available to the named executive officers.

The non-qualified deferred compensation plan allows an employee with an annual salary of \$150,000 or more to defer receipt of a portion of his or her salary and/or annual bonus until a future date or dates elected by the employee. This plan provides an additional vehicle for employees to save for retirement on a tax deferred basis. The deferred compensation plan is not funded by us and does not provide preferential rates of return. Participants have only an unsecured contractual commitment by us to pay amounts owed under that plan.

For further details, see [Tabular Executive Compensation Disclosure Post-Employment Compensation Non-Qualified Deferred Compensation for 2011](#) on page 61 of this Proxy Statement.

Other Benefits

We also provide certain other benefits described below to our named executive officers, which are not tied to any performance criteria. Rather, these benefits are intended to support objectives related to the attraction and retention of highly skilled executives and to ensure that they remain appropriately focused on their job responsibilities without unnecessary distraction.

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COMPENSATION DISCUSSION AND ANALYSIS

Personal Security

We have established a security policy in response to a study prepared by an outside consultant that analyzed security risks to our CEO based on a number of factors, including travel patterns and past security threats. This security policy is periodically reviewed by our outside security consultant. The last review was completed in 2011. Pursuant to this security policy, a Company car and driver or other ground transportation arrangements are provided to the CEO for business and some personal travel. The methodologies that we use to value the personal use of a dedicated Company car and driver and other ground transportation arrangements as a perquisite are described in footnote (6) to the Summary Compensation Table on page 51. In 2011, the total incremental cost for personal use of a Company car and driver and other ground transportation provided to the CEO pursuant to our security policy was \$46,614.

The security policy also requires that the CEO use our aircraft for all business and personal air travel. The CEO reimburses us for all personal travel on our aircraft in an amount equal to the lesser of (1) the maximum amount legally payable under FAA regulations and (2) the incremental cost to us for each such flight.

Our CEO is responsible for all taxes due on any income imputed to him in connection with his personal use of Company-provided transportation.

In addition, pursuant to the security policy described above, we provide our CEO with additional home security enhancements and other protections. The

methodology that we use to value the incremental costs of providing additional home security enhancements and other protections to the CEO is the actual cost to us relating to the installation of home security and other equipment and the incremental cost to us with respect to any related expenses. In 2011, the total incremental cost of the additional home security enhancements and other protections for our CEO pursuant to our security policy was \$32,865.

Other Transportation

We also on occasion provide transportation on Company aircraft for spouses or other family members of the named executive officers who accompany the named executive officers on trips related to our business but which spousal or other family travel, under SEC rules, may not be considered to be directly and integrally related to our business. Consistent with past practice, we reimburse the named executive officers for any tax liabilities incurred with respect to spousal travel only if such travel is considered directly and integrally related to business. In 2011, there was no incremental cost to us associated with spousal and other family travel that was not directly and integrally related to business.

Health Benefits; Treatment of Higher Paid and Lower Paid Employees

We subsidize health benefits more heavily for lower paid employees as compared to higher paid employees, such as the named executive officers. Accordingly, our higher paid employees pay a significantly higher percentage of the cost of their health benefits than our lower paid employees.

Severance and Change in Control Agreements

The Compensation Committee believes that severance and, in certain circumstances, change in control arrangements are necessary to attract and retain the talent necessary for our long-term success. The Compensation Committee believes that our severance programs allow our executives to focus on duties at hand and provide security should their employment be terminated as a result of an involuntary termination without cause or a constructive discharge. Currently, all of our senior executives (other than the CEO) are covered by our severance plan.

Each of the named executive officers, other than Mr. Fishman, has entered into an agreement with us

pursuant to which the named executive officer is granted enhanced severance benefits in exchange for his agreement to non-solicitation and non-disclosure provisions. Under the terms of such agreements, these named executive officers are eligible to receive a severance benefit if they are involuntarily terminated due to a reduction in force or for reasons other than cause or if they are asked to take a substantial demotion. The terms of these agreements are described more fully under [Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key](#)

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COMPENSATION DISCUSSION AND ANALYSIS

Agreements Non-Solicitation and Non-Disclosure Agreements .

Mr. Fishman's employment agreement, discussed at greater length below under Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key Agreements Mr. Fishman's Employment

Agreement , contains severance benefits that are triggered under some circumstances, including some circumstances related to a change in control of the Company. The Compensation Committee believes that these arrangements are appropriate and consistent with similar provisions agreed to by members of our Compensation Comparison Group and their chief executive officers.

Non-Competition Agreements

All members of the Management Committee, including the named executive officers, have signed non-competition agreements.

The agreement provides that, upon an executive's termination of employment, we may elect to impose a six-month non-competition obligation upon the executive that would preclude the executive, subject to limited exceptions, from (1) performing services for or having any ownership interest in any entity or business unit that is primarily engaged in the property and casualty insurance business or (2) otherwise engaging in the property and casualty insurance business. This restriction will apply in the United States and any other country where we are physically present and engaged in the property and casualty insurance business as of the executive's termination date.

If we elect to enforce the non-competition terms, and the executive complies with all of the obligations under the agreement, then the executive will be entitled to:

- receive a lump sum payment at the end of the six-month restricted period equal to the sum of (1) six months base salary plus (2) 50% of the executive's average annual bonus for the prior two years plus (3) 50% of the aggregate grant date fair value of the executive's average annual equity awards for the prior two years; and
- reimbursement for the cost of continuing health benefits on similar economic terms as in place immediately prior to the executive's termination date during the six-month non-competition period or payment of an equivalent amount, payable at the end of the six-month restricted period.

Stock Ownership Guidelines

We maintain an executive stock ownership policy pursuant to which executives are expected to accumulate and retain specified levels of ownership of our equity securities until termination of employment, so as to further align the interests of management and shareholders. The Compensation Committee developed this policy based in part on an analysis of policies instituted at our peer competitors. Under the policy, the CEO has a target ownership level established as the lesser of 150,000 shares or the equivalent value of 500% of base salary. Vice chairmen and executive vice presidents have target ownership levels established as the lesser of 30,000 shares or the equivalent value of 300% of base salary, and senior vice presidents have target ownership levels established as the lesser of 5,000 shares or the equivalent value of 100% of base salary. Executives

who have not achieved these levels of stock ownership are expected to retain the shares acquired upon exercising stock options or upon the vesting of restricted stock, restricted stock units or performance shares (other than shares used to pay the exercise price of options and withholding tax) until the requirements are met.

The stock ownership levels of all persons subject to this policy are calculated on a quarterly basis. In determining an executive's share ownership level, the following are included:

- 100% of shares held directly by the executive;
- 100% of shares held indirectly through our 401(k) Plan or deferred compensation plan;

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COMPENSATION DISCUSSION AND ANALYSIS

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- 50% of unvested restricted shares, restricted stock units or performance shares (assuming 100% vesting of the performance shares); and
- a number of shares with a market value equal to 50% of any unrealized appreciation in stock options, whether vested or unvested.

As of December 31, 2011, each named executive officer had achieved a stock ownership level in excess of the applicable level set forth above.

We have a securities trading policy that sets forth guidelines and restrictions applicable to employees' transactions involving our stock. Among other things, this policy prohibits our employees from engaging in short-term or speculative transactions involving our stock, including purchasing our stock on margin, short sales of our stock (that is, selling stock that is not owned and borrowing shares to make delivery), buying or selling puts, calls or other derivatives related to our stock and arbitrage trading or day trading of our stock.

Recapture/Forfeiture Provisions

Our Board has adopted a policy requiring the reimbursement and/or cancellation of all or a portion of any incentive cash bonus or equity-based incentive compensation awarded to members of the Management Committee or other Section 16 officers after February 1, 2010 where the Compensation Committee of the Board has determined that all of the following factors are present: (1) the award and/or payout thereof was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (2) the employee engaged in fraud or willful misconduct that was a significant contributing factor in causing the restatement and (3) a lower award and/or payout thereof would have been made to the employee based upon the restated financial results.

Incentive compensation will be granted subject to the policy that, in each such instance described above, the Company will, to the extent permitted by applicable law and subject to the discretion and approval of the Compensation Committee of the Board, taking into account such facts and circumstances as it deems appropriate, including the costs and benefits of doing so, seek to recover the employee's cash incentive bonus award and/or equity-based incentive compensation paid or issued to the employee in excess of the amount that would have been paid or issued based on the restated financial results. If the Compensation Committee determines, however, that, after recovery of an excess amount from an employee, the employee is nonetheless unjustly enriched, it may seek recovery of more than such excess amount up to the entire amount of the incentive compensation.

In addition, under the terms of our executive performance share, restricted stock, restricted stock unit and stock option award agreements, in the event that the employment of an executive, including the

named executive officers, is terminated for gross misconduct or for cause, as determined by the Compensation Committee, all outstanding vested and unvested awards are cancelled upon his or her termination.

Further, in connection with equity awards, the named executive officers and certain other senior executives are parties to an agreement that provides for the forfeiture of unexercised or unvested awards and the recapture by us of any compensatory value, including any amount included as compensation in the taxable income, that the former executive received or realized by way of payment, exercise or vesting during the period beginning 12 months prior to the date of termination of employment with us, and ending 12 months after the date of the termination of employment with us, if during the 12-month period following his or her termination, the executive:

(1) fails to keep all confidential information strictly confidential;

(2) uses confidential information to solicit or encourage any person or entity that is a client, customer, policyholder, vendor, consultant or agent of ours to discontinue business with us after accepting a position with a direct competitor;

(3) is directly and personally involved in the negotiation or solicitation of the transfer of business away from us; or

(4) solicits, hires or otherwise attempts to affect the employment of any person employed by us at any time during the last three months of the executive's employment or thereafter, without our consent.

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COMPENSATION DISCUSSION AND ANALYSIS

Timing and Pricing of Equity Grants

The Compensation Committee typically makes annual awards of equity at its meeting held in early February, which is set in advance as part of the Board's annual calendar of scheduled meetings. The Compensation Committee has in the past, and may in the future, make limited grants of equity on other dates in order to retain key employees, to compensate an employee in connection with a promotion or to compensate newly hired executives for equity or other benefits lost upon termination of their previous employment or to otherwise induce them to join us. Pursuant to our Governance Guidelines, the Compensation Committee may make off-cycle equity grants only on previously determined dates in each calendar month, which will be either (1) the date of a regularly scheduled Board or Compensation Committee meeting, (2) the 15th day of the calendar month (or if the 15th is not a business day, the business day immediately preceding the 15th) or (3) in the case of grants in connection with new hires and/or promotions, on, or within 15 days of, the first day of employment or other personnel change. The grant date of equity grants to executives is the date of Compensation Committee approval. As discussed above, the exercise price of option grants is the closing market price of our common stock on the date of grant.

As discussed under Board of Directors Information Compensation Committee on page 11, the Compensation Committee has delegated to the CEO, subject to the prior written consent of our Executive Vice President and General Counsel, the authority to make limited off-cycle grants to employees who are not Committee Approved Officers on pre-established grant dates, as determined by the Compensation Committee. For these grants, as discussed above, the grant date is the date of such approval, and the exercise price of all stock options is the closing market price of our common stock on the date of grant.

Under the 2004 Stock Incentive Plan, stock options cannot be repriced unless such repricing is approved by our shareholders. See Governance of Your Company Dating and Pricing of Equity Grants on page 19 of this Proxy Statement.

We monitor and periodically review our equity grant policies to ensure compliance with plan rules and applicable law. We do not have a program, plan or practice to time our equity grants in coordination with the release of material, non-public information.

2011 Shareholder Advisory Vote on Executive Compensation

The Compensation Committee reviewed the results of the shareholder advisory vote on executive compensation taken at the Company's 2011 Annual Meeting of Shareholders. Over 80% of the shares voting FOR or AGAINST at the meeting voted in favor of the compensation paid to our named executive officers. The Compensation Committee has considered and discussed the results of the vote. In addition, management has had numerous conversations with investors about compensation and

governance practices, and management has reported on those conversations to the Compensation Committee. After considering the voting results from 2011, as well as management's conversations with investors, the Compensation Committee concluded that the Company's executive compensation programs are performing as intended and determined, based on the advice of its compensation consultant, not to make changes to the structure of the Company's executive compensation programs.

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COMPENSATION DISCUSSION AND ANALYSIS

Total Direct Compensation for 2009-2011 (Supplemental Table)

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The following table shows the base salary rate in effect at the end of each of the last three years as well as annual cash bonuses paid and equity awards granted to our named executive officers in February in respect of the immediately preceding performance year.

This supplemental information has been included to provide investors with additional compensation information for the last three performance years. As part of reaching its compensation decisions for a performance year, the Compensation Committee refers to this data. Accordingly, this supplemental information will enable investors to better understand the actions of the Compensation Committee with respect to total direct compensation for a performance year. However, this supplemental information is not intended to be a substitute for the information provided in the Summary Compensation Table on page 50, which has been prepared in accordance with the SEC's disclosure rules.

Name	Salary (\$)	Bonus (\$)	Equity Awards (\$)	Total (\$)	Change from Prior Year (%)
J.S. Fishman					
2011	1,000,000	4,500,000	7,500,000	13,000,000	(20)
2010	1,000,000	6,250,000	9,000,000	16,250,000	(17)
2009	1,000,000	7,500,000	11,000,000	19,500,000	
J.S. Benet					
2011	700,000	2,000,000	2,000,000	4,700,000	(15)
2010	700,000	2,550,000	2,250,000	5,500,000	(7)
2009	650,000	3,000,000	2,250,000	5,900,000	
B.W. MacLean					
2011	850,000	2,500,000	2,250,000	5,600,000	(16)
2010	850,000	3,350,000	2,500,000	6,700,000	(7)
2009	700,000	4,000,000	2,500,000	7,200,000	
W.H. Heyman					
2011	700,000	2,300,000	2,000,000	5,000,000	(17)
2010	700,000	3,050,000	2,275,000	6,025,000	(6)
2009	650,000	3,250,000	2,500,000	6,400,000	
A.D. Schnitzer					
2011	700,000	1,850,000	2,000,000	4,550,000	(12)
2010	700,000	2,200,000	2,250,000	5,150,000	(2)
2009	650,000	2,350,000	2,250,000	5,250,000	

Differences Between this Supplemental Table and the Summary Compensation Table on page 50.

The information contained in this Supplemental Table differs substantially from the total direct compensation information contained in the Summary Compensation Table for the relevant year, including as noted below:

- First, the stock awards and option awards columns for a particular year in the Summary Compensation Table on page 50 report awards actually granted in that calendar year (not equity awards granted in respect of a performance year). For example, for 2011, the Summary Compensation Table on page 50 includes awards made in February 2011 in respect of the 2010 performance year, but does not include awards made in February 2012 in respect of the 2011 performance year. On the other hand, the 2011 rows in the Supplemental Table presented above includes equity grants made in February 2012 in respect of the 2011 performance year and not the equity grants made in February 2011 in

respect of the 2010 performance year.

- Second, the Summary Compensation Table on page 50 also includes the value of reload options (described on page 54) issued in connection with options exercised during the relevant year, while the Supplemental Table does not include the value of such reload options. The Compensation Committee does **not** consider the value of a reload option as current (that is, 2011, 2010 or 2009) compensation for several reasons. The issuance of reload options occurred automatically, and without any involvement of the current Compensation Committee, pursuant to the contractual terms of original options granted almost ten years ago. In addition, the original options were granted as long-term compensation pursuant to a program that was terminated in 2004. Reload options are not currently a component of our executive compensation program; because existing options with a reload feature are nearing their expiration date, the named executive officers no longer can have new reload transactions under those options.

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COMPENSATION COMMITTEE REPORT

COMPENSATION COMMITTEE REPORT

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The Compensation Committee has discussed and reviewed the foregoing Compensation Discussion and Analysis with management. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K.

Submitted by the Compensation Committee of the Company s Board of Directors:

Lawrence G. Graev (Chair)

Kenneth M. Duberstein

Cleve L. Killingsworth Jr.

Donald J. Shepard

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TABULAR EXECUTIVE COMPENSATION DISCLOSURE

TABULAR EXECUTIVE COMPENSATION DISCLOSURE

Summary Compensation Table

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our Chairman and Chief Executive Officer, our Vice Chairman and Chief Financial Officer and each of our three other most highly compensated executive officers who served in such capacities at December 31, 2011. We refer to these individuals collectively as the named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation \$(4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings \$(5)	All Other Compensation \$(6)	Total (\$)
Jay S. Fishman	2011	1,000,000	0	5,400,018	4,851,039	4,500,000	642,331	86,042	16,479,430
Chairman and Chief Executive Officer	2010	1,000,000	0	6,610,024	5,251,606	6,250,000	614,889	106,389	19,832,908
	2009	1,000,000	0	3,750,013	7,128,696	7,500,000	526,136	217,165	20,122,010
Jay S. Benet	2011	700,000	0	1,349,976	900,464	2,000,000	300,491	2,552	5,253,483
Vice Chairman and Chief Financial Officer	2010	687,500	0	1,360,016	899,950	2,550,000	280,257	6,470	5,784,193
	2009	650,000	0	1,170,017	779,995	3,000,000	251,021	6,455	5,857,488
Brian W. MacLean	2011	850,000	0	1,500,011	1,133,677	2,500,000	374,606	1,455	6,359,749
President and Chief Operating Officer	2010	812,500	0	1,510,016	999,947	3,350,000	347,118	7,388	7,026,969
	2009	700,000	0	1,259,998	839,994	4,000,000	293,019	5,000	7,098,011
William H. Heyman	2011	700,000	0	1,364,974	910,468	2,300,000	298,341	0	5,573,783
Vice Chairman and Chief Investment Officer	2010	687,500	0	1,510,016	1,459,619	3,050,000	287,542	5,000	6,999,677
	2009	650,000	0	1,170,017	779,995	3,250,000	265,499	6,218	6,121,729
Alan D. Schnitzer	2011	700,000	0	1,349,976	900,464	1,850,000	127,235	103	4,927,778
Vice Chairman and Chief Legal Officer and EVP Financial, Professional and	2010	687,500	0	1,360,016	899,950	2,200,000	80,777	6,421	5,234,664
	2009	650,000	0	1,170,017	779,995	2,350,000	63,453	6,545	5,020,010

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(1) Bonuses paid under the Company's Senior Executive Performance Plan are reported under the Non-Equity Incentive Plan Compensation column.

(2) The dollar amounts represent the aggregate grant date fair value of performance shares granted during each of the years presented and, with respect to 2010, restricted stock units granted in consideration of the Non-Competition Agreements further discussed on page 45. The grant date fair value of an award is measured in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718, Compensation - Stock Compensation (ASC Topic 718) utilizing the assumptions discussed in Note 12 to our financial statements for the fiscal year ended December 31, 2011, without taking into account estimated forfeitures. With respect to the performance shares, the estimate of the grant date fair value determined in accordance with FASB ASC Topic 718 assumes the vesting of 100% of the performance shares awarded. Assuming the highest level of performance is achieved (which would result in the vesting of 160% of performance shares awarded in 2009, 150% of performance shares awarded in 2010 and 130% of performance shares awarded in 2011), the aggregate grant date fair value of the stock awards set forth in the table above would be:

	2009 (\$)	2010 (\$)	2011 (\$)
Jay S. Fishman	6,000,028	9,910,029	7,020,012
Jay S. Benet	1,872,028	2,035,017	1,754,975
Brian W. MacLean	2,016,012	2,260,017	1,950,003
William H. Heyman	1,872,028	2,260,017	1,774,460
Alan D. Schnitzer	1,872,028	2,035,017	1,754,975

For a discussion of specific stock awards during 2011, see Grants of Plan-Based Awards in 2011 below and the narrative discussion that follows.

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TABULAR EXECUTIVE COMPENSATION DISCLOSURE

(3) The dollar amounts represent the aggregate grant date fair value of option awards granted during each of the years presented. The grant date fair value of an option award is measured in accordance with FASB ASC Topic 718 utilizing the assumptions discussed in Note 12 to our financial statements for the fiscal year ended December 31, 2011. For a discussion of specific stock option awards granted during 2011, see [Grants of Plan-Based Awards in 2011](#) below and the narrative discussion that follows. Some dollar amounts include the grant date fair value of reload options issued in connection with the exercise of previously granted options. The dollar amounts of the option awards related to reload options are as follows: for Mr. Fishman, \$1,249,170 in 2011, \$851,831 in 2010 and \$4,628,716 in 2009; for Mr. MacLean, \$133,156 in 2011; for Mr. Heyman, \$459,672 in 2010. We do not currently grant options with the reload feature as a part of our executive compensation program. For more information regarding reload options, see [Narrative Supplement to the Summary Compensation Table and the Grants of Plan-Based Awards in 2011 Terms of Equity-Based Awards Reload Options](#) below.

(4) Reflects incentive compensation paid under the Company's Senior Executive Performance Plan in 2012 for performance year 2011, incentive compensation paid in 2011 for performance year 2010 and incentive compensation paid in 2010 for performance year 2009, respectively. For a discussion of the Company's Senior Executive Performance Plan, see [Compensation Discussion and Analysis Compensation Elements Performance-Based Annual Cash Bonus](#).

(5) These amounts represent the aggregate change in actuarial present value of accumulated pension benefits for each of the years presented, using the same pension plan measurement date used for financial statement reporting purposes. The Company does not provide any of its executives with any above-market or preferential earnings on non-qualified deferred compensation.

(6) Amounts shown in this column for 2009 and 2010 have been restated to conform with the presentation for 2011, which reflects the SEC's rule that dividend equivalents of stock awards do not need to be reported if the amounts of future dividends were factored into the grant date fair value of the associated awards. For 2011, [All Other Compensation](#) for Mr. Fishman includes \$46,614 for personal use of a Company car and driver and other ground transportation arrangements, calculated as described below; and \$32,865 of personal security expenses incurred on his behalf pursuant to the Company's executive security program.

Pursuant to the Company's security policy, the Company provides a car and driver or other ground transportation arrangements to Mr. Fishman for business and some personal travel. In 2011, we calculated the incremental cost to us of the personal use of a dedicated Company car and driver (including commuting and business travel not considered directly and integrally related to the performance of his duties) (a) as a percentage of costs relating to the car, including, among others, depreciation, fuel and insurance; and (b) incremental costs for employee and contract drivers. That percentage is based on the portion of car use that relates to personal travel. Compensation and benefits for the employee drivers, other than overtime charges, are not included in the calculation of incremental cost because they are members of our security staff and, consistent with our executive security policy, we would have otherwise incurred such costs for business purposes, whether or not the car and driver was available to Mr. Fishman for personal travel. The incremental costs of personal trips using other ground transportation arrangements, such as car services, are valued at the actual incremental cost to us.

We require that Mr. Fishman use Company aircraft for business and personal travel. Mr. Fishman is required to reimburse the Company for all personal travel on Company aircraft in an amount equal to the lesser of (a) the maximum amount legally payable under FAA regulations and (b) the incremental cost to the Company for each such flight. Mr. Fishman fully reimbursed the Company for the incremental cost of all personal travel on Company aircraft in 2011.

For information about these perquisites, see [Compensation Discussion and Analysis Compensation Elements Other Compensation Other Benefits](#). In addition, the Company paid life insurance premiums in 2011 in relation to the participation of Mr. Fishman in the legacy St. Paul Directors Charitable Award Program. For more information, please refer to the narrative discussion under [Non-Employee Director Compensation Legacy Directors Charitable Award Program](#).

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TABULAR EXECUTIVE COMPENSATION DISCLOSURE

Grants of Plan-Based Awards in 2011

The following table provides information on stock options and performance shares granted in 2011 to each of our named executive officers.

Name	Grant Date		Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(5)	
			Target (\$)(4)	Threshold (#)	Target (#)	Maximum (#)			Options (#)
J.S. Fishman	2/1/2011	(1)		47,527	95,054	123,570		5,400,018	
	2/1/2011	(2)					278,301	56.81	3,601,869
	5/4/2011	(3)					206,051	63.54	629,517
	5/24/2011	(3)					213,236	61.02	619,653
			N/A						
J.S. Benet	2/1/2011	(1)		11,882	23,763	30,892			1,349,976
	2/1/2011	(2)					69,575	56.81	900,464
			N/A						
B.W. MacLean	2/1/2011	(1)		13,202	26,404	34,325			1,500,011
	2/1/2011	(2)					77,306	56.81	1,000,521
	4/26/2011	(3)					4,039	61.39	12,084
	4/26/2011	(3)					15,420	61.39	46,135
	4/28/2011	(3)					11,668	63.06	36,074
	4/29/2011	(3)					1,639	63.28	4,720
	4/29/2011	(3)					1,803	63.28	5,192
	4/29/2011	(3)					3,458	63.28	9,958
	4/29/2011	(3)					280	63.28	806
	5/3/2011	(3)					6,222	64.05	18,187
			N/A						
W.H. Heyman	2/1/2011	(1)		12,014	24,027	31,235			1,364,974
	2/1/2011	(2)					70,348	56.81	910,468
			N/A						

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A.D. Schnitzer	2/1/2011	(1)		11,882	23,763	30,892			1,349,976
	2/1/2011	(2)					69,575	56.81	900,464
			N/A						

(1) Represents performance share awards granted as part of the annual long-term equity grant. All performance share awards were granted under the Company's Amended and Restated 2004 Stock Incentive Plan.

Performance shares represent the right to earn shares of our common stock based on our attainment of specified performance goals, as described above under Compensation Discussion and Analysis Compensation Elements Performance-Based Long-Term Stock Incentives Performance Shares. As described in more detail in that section, for awards granted in 2011, if our return on equity (as defined in the award agreement) over the three-year performance period meets the minimum threshold of 7%, then 50% of the number of performance shares awarded and accumulated dividend equivalents will vest after the three-year performance period. If our return on equity over the three-year performance period is 10%, then 100% of the number of shares awarded and accumulated dividend equivalents will vest after the three-year performance period. If our return on equity over the three-year performance period exceeds 15%, then a maximum of 130% of the number of shares awarded and accumulated dividend equivalents will vest after the three-year performance period. The estimated future payouts of performance shares in the table above do not include additional shares that may be allocated to recipients of performance shares as a result of the phantom reinvestment of dividend equivalents on unvested performance shares, but the value of such additional shares is factored into the grant date fair values of the performance shares in the table above.

(2) Represents option awards granted as part of the annual long-term equity grant. All option awards were granted under the Company's Amended and Restated 2004 Stock Incentive Plan.