

**THE TRAVELERS COMPANIES, INC.**  
**AUDIT COMMITTEE CHARTER**

The Board of Directors (the “Board”) of The Travelers Companies, Inc. (the “Company”) and the Audit Committee of the Board (the “Committee”) have approved and adopted the following Charter to define the Committee’s composition, responsibilities and operation.

**I. PURPOSE**

The purpose of the Committee shall be to assist the Board in exercising its oversight of (i) the Company’s accounting and financial reporting processes; (ii) audits of the Company’s financial statements; (iii) the Company’s compliance with legal and regulatory requirements, (iv) the independent auditor’s qualifications and independence, and (v) the performance of the Company’s internal audit function and independent auditors. The function of the Committee is one of oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements; accounting and financial reporting principles; and the Company’s internal controls and procedures. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any certification as to the work of any auditor.

**II. STRUCTURE AND OPERATIONS**

Composition and Qualification

The Committee shall comprise three or more directors, each of whom shall be determined by the Board to be “independent” under the Company’s Governance Guidelines, the rules of the New York Stock Exchange and Rule 10A-3(b)(1)(i) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). No member of the Committee may serve concurrently on the audit committee of more than two other public companies, in addition to that of the Company, unless the Board (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination either on or through the Company’s website or in the annual proxy statement.

Each member of the Committee must be financially literate (or must become financially literate within a reasonable period after his or her appointment), and at least one member (which can be the same person designated for purposes of SEC rules as the “audit committee financial expert”) must have accounting or related financial management expertise.

Appointment and Removal

The members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

## Chairman

Unless a Chairman of the Committee is elected by the full Board, the members of the Committee shall designate a Chairman of the Committee by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

### **III. MEETINGS**

The Committee shall meet at least quarterly, or more frequently as circumstances dictate, or on notice to all members of the Committee by the Chairman of the Board, the Chief Executive Officer of the Company or any member of the Committee. Any meeting of the Committee may be held telephonically.

As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the director of the internal auditing department, the general counsel of the Company and the independent auditors to discuss any matters that the Committee or each of these persons or groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the independent auditors and management quarterly to review the Company's financial statements in a manner consistent with that outlined in Section IV of this Charter.

All non-management directors who are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings, or communicate with, any director, officer or employee of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons not on the Committee it deems appropriate in order to carry out its responsibilities.

A majority of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

The Committee shall keep regular minutes of its proceedings, and the Corporate Secretary's office shall maintain the minute books of the Committee.

### **IV. DUTIES AND POWERS**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities hereunder. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions, or as requested by the Board. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee.

The Committee, in discharging its responsibilities, may apply reasonable materiality standards to all of its activities and is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose,

including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee shall also have the authority to obtain from the Company all ordinary administrative expenses necessary or appropriate in carrying out its duties.

The Committee shall be given full access to the Company's internal audit department, the Board, any employee of the Company and independent auditors as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board. The Company's independent auditors and internal auditors shall have unrestricted access at any time to members of the Committee. Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements and is not responsible for the information in the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors.

The principal functions of the Committee are set forth below.

#### Documents/Reports Review

1. Review and discuss with management and the independent auditors prior to public dissemination the Company's annual audited financial statements and quarterly financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and discuss with the independent auditors the matters required to be discussed by auditing standards established from time to time by the Public Company Accounting Oversight Board ("PCAOB") and by Securities and Exchange Commission ("SEC") rules.
2. Review and discuss with management and the independent auditors the Company's earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.
3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Form 10-K and Form 10-Q concerning (a) any significant deficiencies in the design or operation of internal controls over financial reporting or material weakness therein and (b) any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.
4. Review and discuss the Company's appointed actuary's annual certification of the Company's loss and loss adjustment expense reserves.

5. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Company's bylaws and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC.

#### Independent Auditors

6. Appoint, set compensation of, retain, oversee and, if deemed appropriate by the Committee, terminate the appointment of, the Company's independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including resolution of disagreements between management and the auditor regarding financial reporting).
7. Inform the Company's independent auditors that such auditing firm shall report directly to the Committee.
8. Oversee the work of the Company's independent auditors by performing the following:
  - (i) resolve any disagreement between management and the auditors regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services; and
  - (ii) review the independent auditor's audit plans and staffing for the audit, and at the completion of its annual examination, review (a) any significant changes required in the originally planned audit program and (b) the independent auditors' evaluation of the financial and internal controls of the Company; and
  - (iii) secure assurance from the independent auditor that the audit was conducted in a manner consistent with Section 10A of the Exchange Act.
9. Approve in advance any audit or non-audit services between the Company and the independent auditors, other than "prohibited non-audit services". The Committee may delegate to one or more of its members the authority to approve in advance all audit or non-audit services to be provided by the independent auditors so long as each pre-approval decision is presented to the full Committee at its next meeting.

The following services constitute "prohibited non-audit services" with respect to the Company and its affiliates, provided that the services described in clauses (i)-(v) shall not constitute prohibited non-audit services if it is reasonable to conclude that the results thereof will not be subject to auditing procedures during an audit:

- (i) bookkeeping or other services related to accounting records or financial statements;

- (ii) financial information systems design and implementation;
- (iii) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports;
- (iv) actuarial services;
- (v) internal audit outsourcing services;
- (vi) management functions or human resources;
- (vii) broker or dealer, investment adviser or investment banking services;
- (viii) legal services and expert services unrelated to the audit;
- (ix) personal tax preparation services or advice for the Company's executive officers; and
- (x) any other service that the SEC, PCAOB or the New York Stock Exchange prohibits through regulation or listing requirements.

The Committee must pre-approve audit and non-audit services, subject to Section 202 of the Sarbanes-Oxley Act of 2002 and related regulations, either:

- (i) prior to the engagement; or
- (ii) pursuant to pre-approval policies and procedures adopted by the Committee, provided that
  - a. the policies and procedures are detailed as to the particular service,
  - b. the Committee is informed on a timely basis of the rendering of each service,
  - c. such policies and procedures do not include delegation of the Committee's authority to management, and
  - d. such policies and procedures are disclosed as required by the rules of the SEC.

10. Review, at least annually, the qualifications, performance and independence of the independent auditors and present its conclusions with respect to the independent auditors to the full Board. In conducting its review and evaluation, the Committee should:

- (i) Obtain and review a report by the Company's independent auditors describing: (a) the auditing firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (c) all relationships

between the independent auditor and the Company, in order to assess the auditor's independence;

- (ii) Review and evaluate the lead audit partner of the independent auditors;
- (iii) Ensure the timely rotation of “lead partners”, “concurring or reviewing partners” and other “audit partners”, in each case at least to the extent required by the rules promulgated by the SEC;
- (iv) Confirm with the independent auditors that the “audit partners” do not earn or receive any compensation based on selling engagements to the Company or its affiliates to provide any services, other than audit, review or attest services, to the extent such compensation would compromise the independence of the auditors under the rules promulgated by the SEC; and
- (v) Take into account the opinions of management and the Company's internal auditors (or other personnel responsible for the internal audit function).

#### Financial Reporting Process

11. In consultation with the independent auditors, management and the internal auditors, review the integrity of the Company's financial reporting processes. In that connection, the Committee must, prior to the filing by the Company of its annual report and at such other times that the Committee deems appropriate, obtain and discuss with management and the independent auditors reports from management, the internal auditors and the independent auditors regarding:
  - (i) all critical accounting policies and practices to be used by the Company;
  - (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues, disagreements with management, if any, and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  - (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (iv) major issues as to the adequacy of the Company's internal controls and any specific audit steps adopted in light of material control deficiencies; and
  - (v) any other material written communications between the independent auditors and the Company's management.

12. Review the process by which the Company establishes reserves for the purpose of the Company's financial statements prepared in accordance with generally accepted accounting principles.
13. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
14. Review with the independent auditors (i) any audit problems or other difficulties encountered by the auditor in the course of the audit process, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management and (ii) management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent auditors (i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (ii) any communications between the audit engagement team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.

#### Internal Audit Matters

15. Review and discuss with the head of internal audit, and with the independent auditors, the responsibilities, budget and staffing of the Company's internal audit function.
16. Review the adequacy of the work performed by internal audit and by the head of the Company's internal audit function, which shall entail (i) a review of the internal audit plans, budget and staffing, (ii) a review of the effectiveness of the Company's internal control design and performance in carrying out assigned control responsibilities, and (iii) the approval, in advance, of any termination or replacement of the Company's head of internal audit.

#### Legal Compliance / General

17. Review and discuss periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
18. Review and discuss with management and the independent auditors the Company's guidelines and policies that govern the processes by which risk assessment and risk management are handled. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
19. Set clear hiring policies for employees or former employees of the independent auditors. At a minimum, these policies must prohibit the hiring of members of the Company's "audit engagement team" in a position at the Company which would cause the independent auditors to no longer qualify as independent under the rules promulgated by the SEC.
20. Establish procedures for and review periodic reports of: (i) the receipt, retention and

treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### Reports

21. Prepare all audit committee reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
22. Report regularly to the full Board:
  - (i) with respect to any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function;
  - (ii) with respect to all meetings of the Committee and the business conducted at such meetings; and
  - (iii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

### Oversight of Insurance Subsidiary Audit Committees

In addition to the functions set forth above with respect to the Company, the Committee shall provide oversight of the audit committees (the "Insurance Subsidiary Audit Committees") designated by each insurance subsidiary of the Company from time to time (the "Insurance Subsidiaries"), with respect to the U.S. statutory financial reporting of the Insurance Subsidiaries required by applicable state insurance laws, as follows:

23.
  - (i) appoint and set compensation of any independent certified public accountant of the Insurance Subsidiaries (the "Insurance Subsidiary Auditor");
  - (ii) review and approve in the Committee's discretion, all audit and permitted non-audit engagements and relationships between the Company or any Insurance Subsidiary and the Insurance Subsidiary Auditor;
  - (iii) replace or terminate in the Committee's discretion the Insurance Subsidiary Auditor; and
  - (iv) evaluate the independence of the Insurance Subsidiary Auditor by



monitoring compliance by the Insurance Subsidiary Auditor with all applicable qualification requirements, including those contained in Regulation S-X and the PCAOB rules.

24. Resolve any differences between management of an Insurance Subsidiary and the Insurance Subsidiary Auditor, which are reported to the Committee.
25. Review and discuss with the Chair of the Insurance Subsidiary Audit Committees, the following reports presented to this Committee by the Insurance Subsidiary Audit Committees regarding such committees' activities with respect to the U.S. statutory financial statements of the Insurance Subsidiaries:
  - (i) reports on the performance of the Insurance Subsidiary Auditor as its work pertains to the U.S. statutory financial statements of the Insurance Subsidiaries;
  - (ii) reports of any material weakness, significant deficiencies, and/or significant solvency concerns identified by such audit committees at an Insurance Subsidiary level; and
  - (iii) reports of any fraud, whether or not material, that involves management or other employees who have a significant role in an Insurance Subsidiary's internal control over financial reporting.
26. In order to foster open communication, the Committee shall at least annually meet separately and privately with the Chair of the Insurance Subsidiary Audit Committees, the Insurance Subsidiary Auditor and the Company's internal auditing department.

In accordance with the limited responsibilities of the Committee above, the Committee is not responsible for certifying the U.S. statutory financial statements of the Insurance Subsidiaries or for information contained in such financial statements and in the auditor's report relating to such financial statements. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors.

## **V. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

## **VI. RESOURCES AND AUTHORITY**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it

deems appropriate, without seeking approval of the Board or management.

## **VII. OTHER MATTERS**

The Committee will provide oversight regarding management's and the Company's compliance with the Foreign Corrupt Practices Act and with the Company's Code of Business Conduct and Ethics.