



The Travelers Companies, Inc.

2014 Investor Day

Agenda

Welcome



Jay Fishman – Chairman & Chief Executive Officer



Travelers Medical Advantage

Vinny Armentano - Senior Vice President, Business Insurance Claim

Break



Select Accounts

Marc Schmittlein – Executive Vice President, Select Accounts & Agribusiness



Personal Insurance

Greg Toczydlowski – Executive Vice President & President, Personal Insurance



Closing Remarks

Jay Fishman – Chairman & Chief Executive Officer

Q & A

Lunch



Jay Fishman

Chairman & Chief Executive Officer

Long-Term Financial Strategy



CREATE SHAREHOLDER VALUE

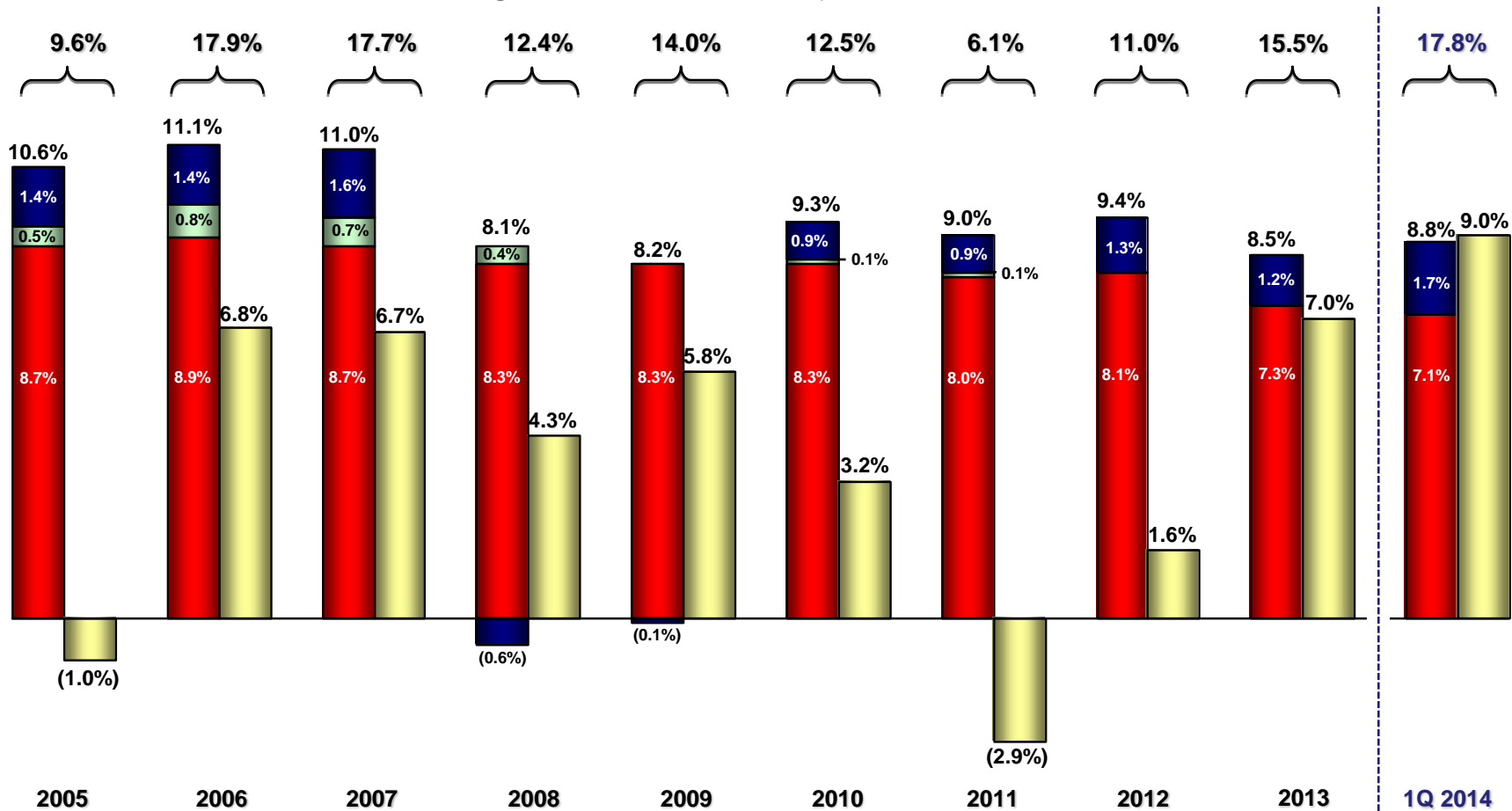
Objective: Mid-Teens Operating ROE *Over Time*

Overview

- Return focused company.
- Thoughtful capital allocators.
- Return excess capital to shareholders.

Return Focused Company

Components of Operating Return on Equity



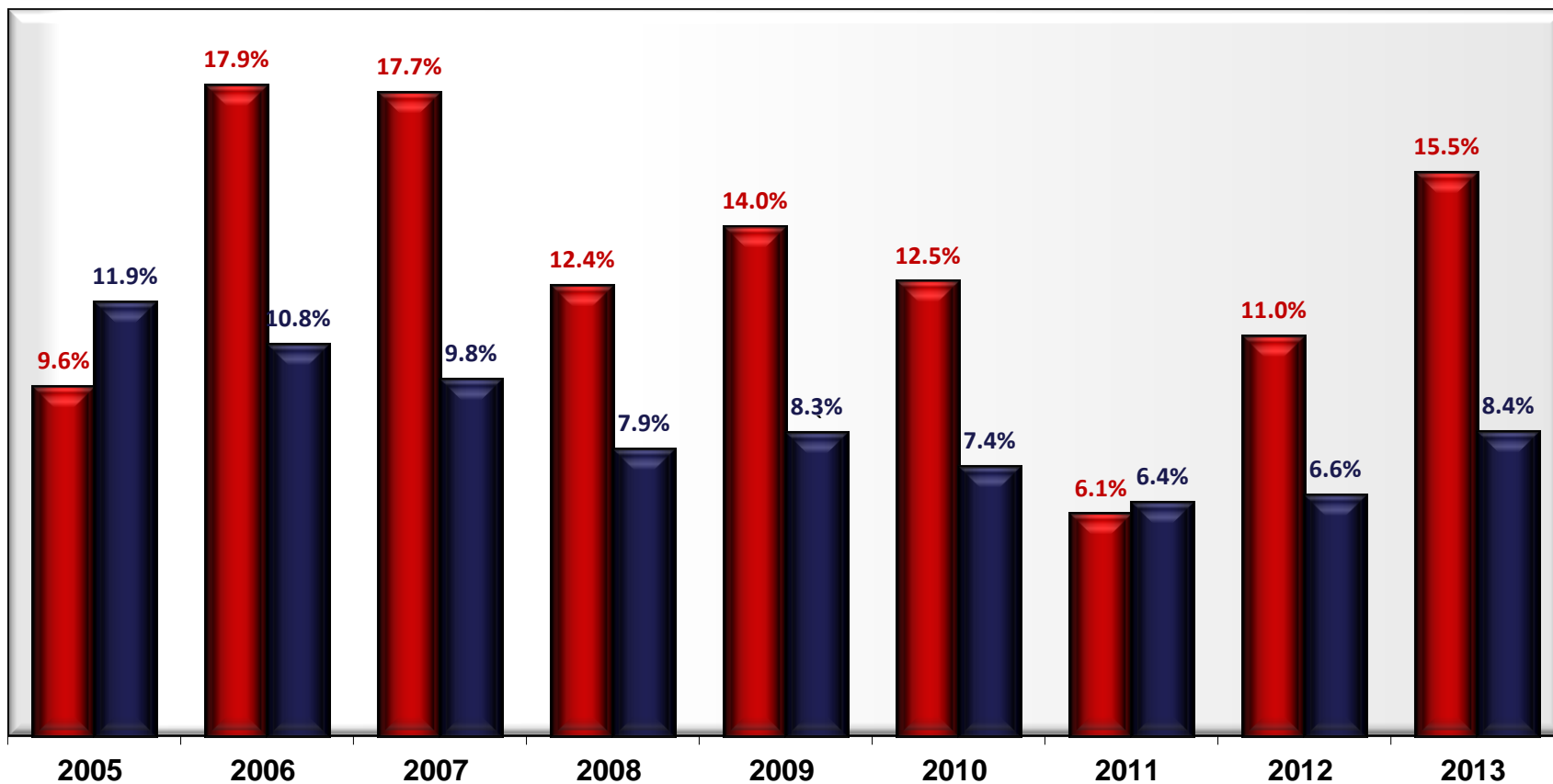
Full Year

- Long-term fixed net investment portfolio investment income less holding company interest expense
- Short-term fixed net investment portfolio investment income
- Non-fixed net investment portfolio investment income / (loss)
- Underwriting gain / (loss) and other

From Jan. 1, 2005 through Mar. 31, 2014, TRV's average annual operating ROE was approximately 13.2%

Return Focused Company

Operating Return on Equity vs. Estimated Cost of Capital¹



TRV operating return on equity



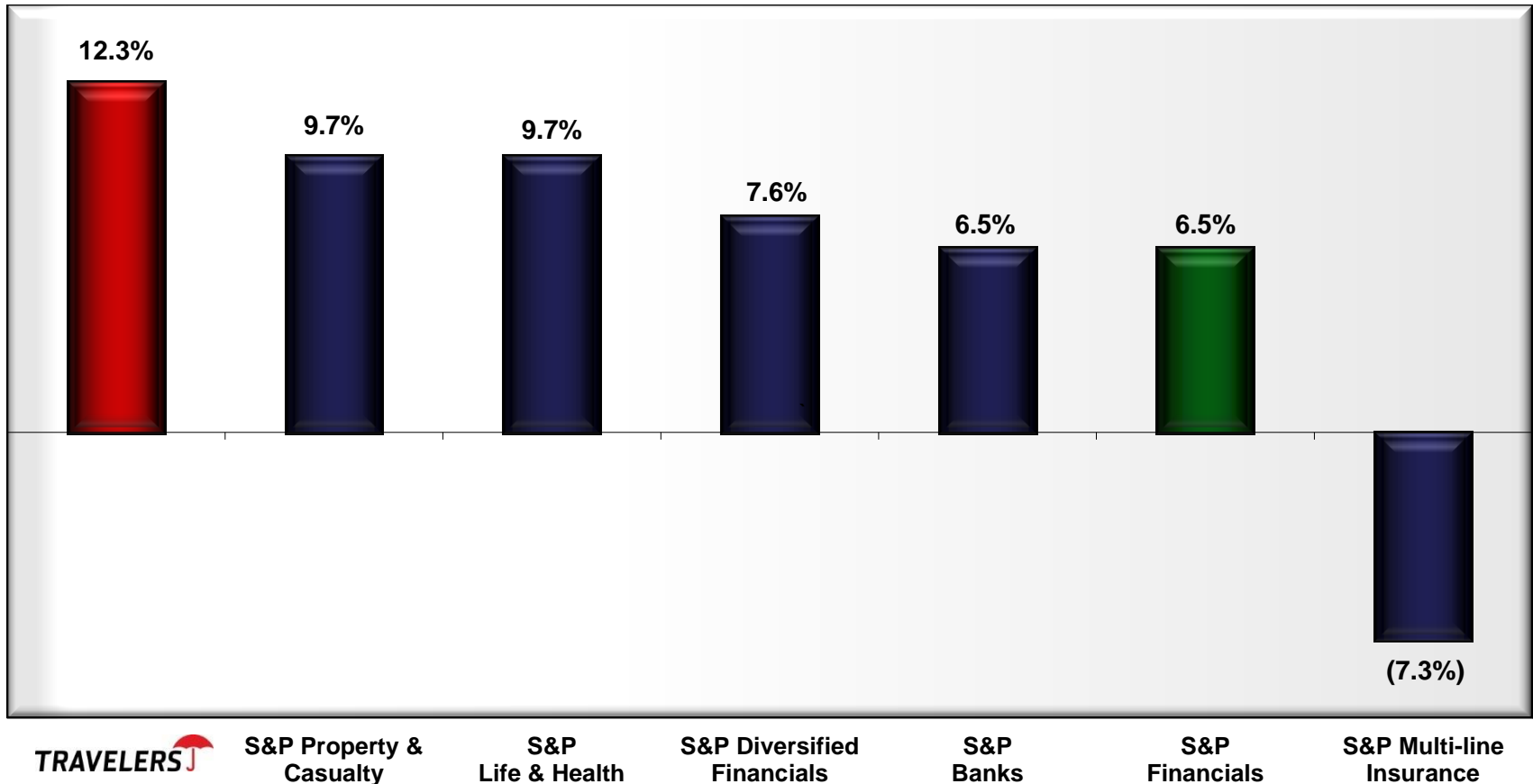
TRV estimated cost of capital¹

¹ Cost of capital: weighted average cost of capital represents the cost of equity, debt and hybrid securities proportional to the total capital of the enterprise. The cost of equity: weekly two year adjusted beta against S&P 500, Ibbotson equity market risk premium and ten year Treasury.

Return Focused Company

TRV Return on Equity vs. Other Financials: 2005-2013

Average Return on Equity: 2005-2013

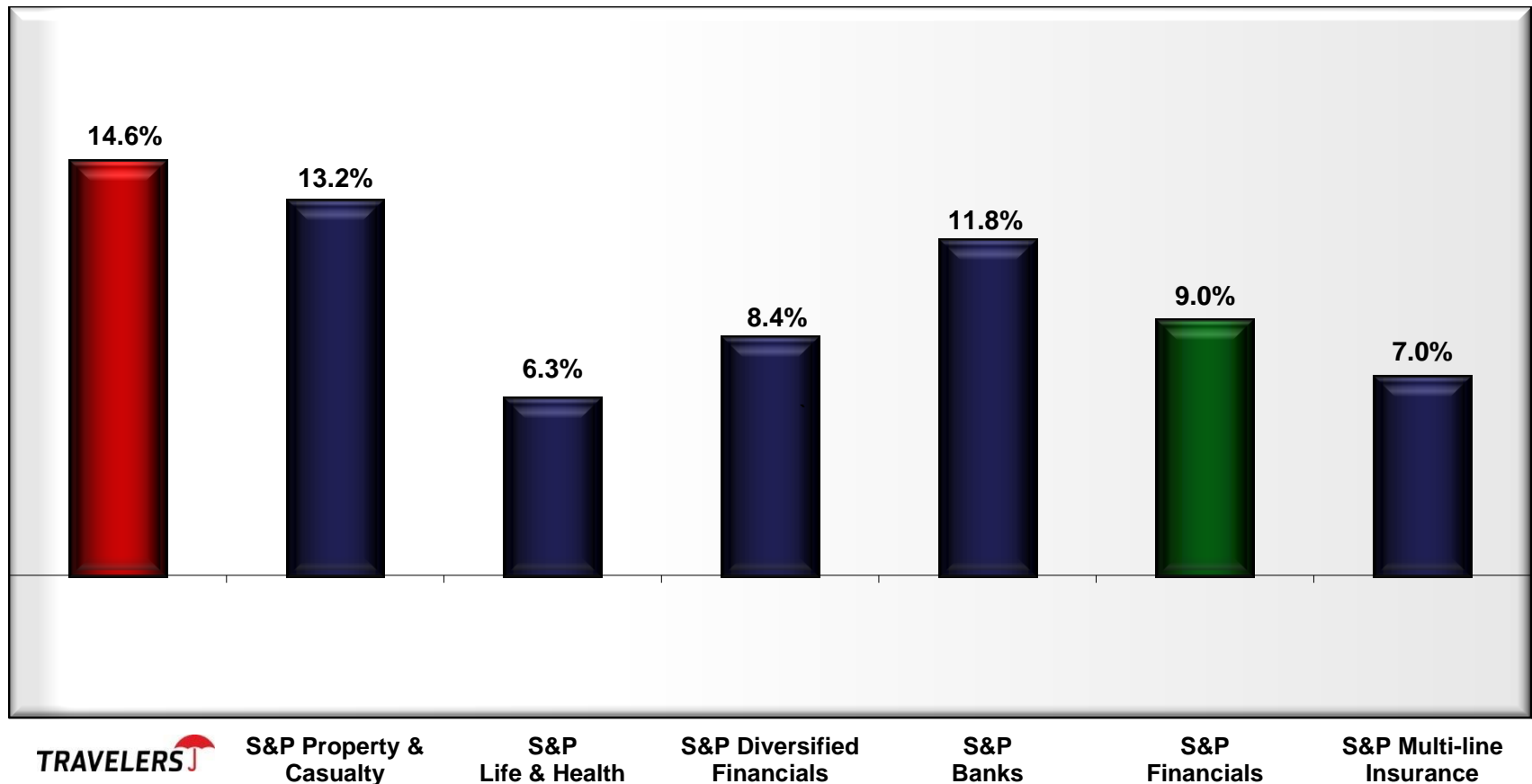


Return on capital focus has resulted in top tier returns in P&C industry and financial services industry broadly

Return Focused Company

TRV Return on Equity vs. Other Financials: 2013

Return on Equity: 2013



Return on capital focus has resulted in top tier returns in P&C industry and financial services industry broadly

Overview

- Return focused company.
-
- Thoughtful capital allocators.
-
- Return excess capital to shareholders.

Thoughtful Capital Allocators

- Consistently invest in the development of competitive advantages.
- Strategic decisions and the resulting capital allocations are driven by projected returns.
- Manage the business to where and when we believe competitive advantages provide opportunities.

Thoughtful Capital Allocators

Travelers View Versus Conventional Wisdom

Conventional Wisdom

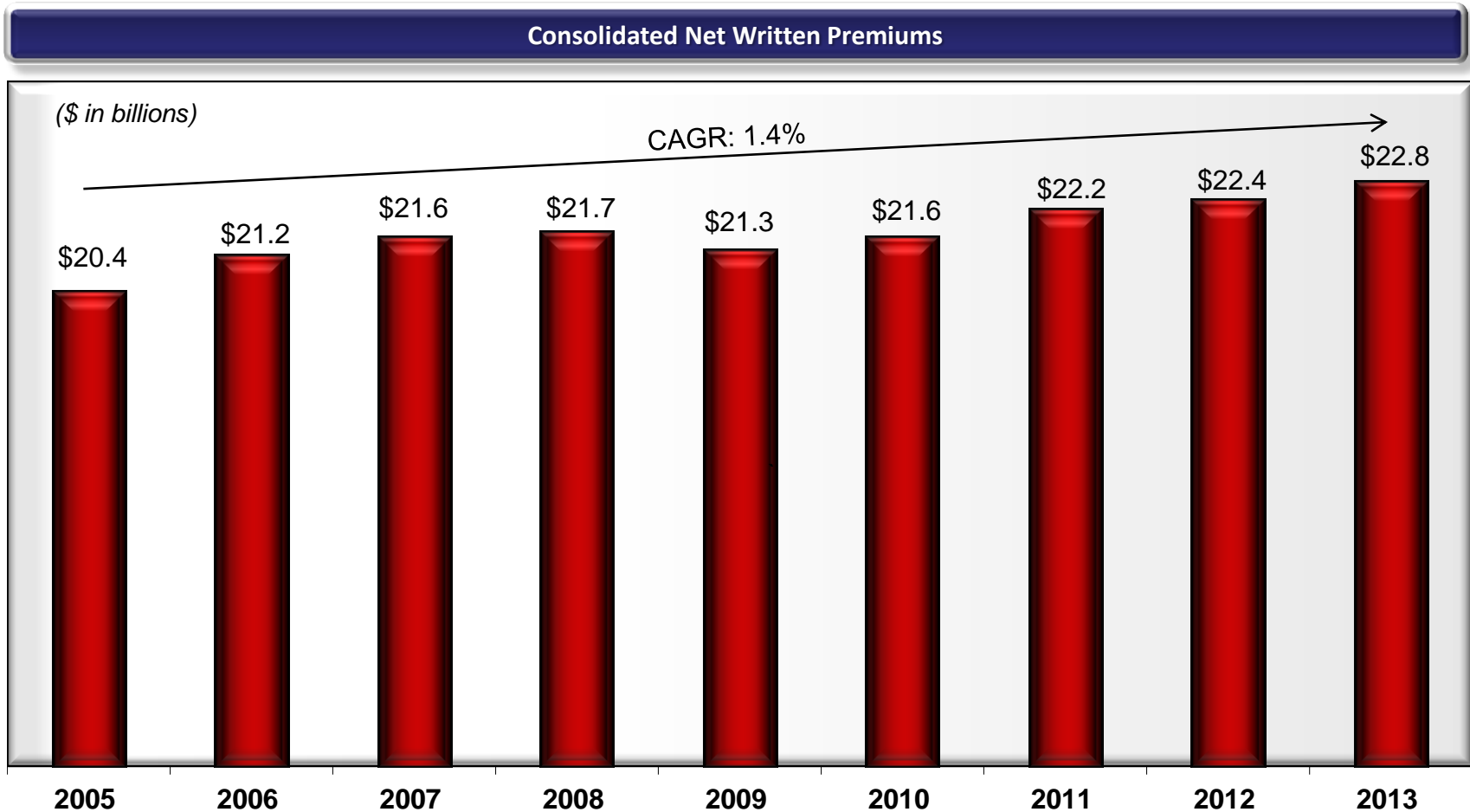
- In the P&C industry, the only way to achieve organic growth is to lower price and accept lower returns.



- Growth and superior returns over time are driven more by risk selection premised on competitive advantages, which can include products, processes, specific expertise, technology or other attributes.
- These advantages allow a company to outselect and outperform or to identify segments where appropriate returns cannot be achieved.

Thoughtful Capital Allocators

Travelers Philosophy: Volume is a Result, Not a Goal



Travelers has actively grown businesses where competitive advantages allow, while intentionally reducing exposure to others where appropriate returns cannot be achieved.

Thoughtful Capital Allocators: *Selected Lines of Business*

| | Net Written Premiums | | CAGR | |
|--------------------|-------------------------------------|------------------------------|------------------------------|-----|
| | (\$ in millions) | | | |
| Business Insurance | Commercial Accounts (2005-2013) | 2005: \$2,330 | 2013: \$3,197 | 4% |
| | Construction (2005-2013) | 2005: \$916 | 2013: \$1,190 | 3% |
| | National Property (2005-2013) | 2005: \$487 | 2013: \$662 | 4% |
| | Select – Express (2008-2012) | 2008: \$1,286 | 2012: \$1,709 | 7% |
| | National Accounts (2011-2013) | 2011: \$782 | 2013: \$1,010 | 14% |
| FP&II | Private & Non-Profit (2005-2013) | 2005: \$425 | 2013: \$583 | 4% |
| | Surety (2005-2008) | 2005: \$684 | 2008: \$896 | 9% |
| Personal Insurance | Personal Automobile (2005-2011) | 2005: \$3,477 PIF: 2,250K | 2011: \$3,788 PIF: 2,571K | 1% |
| | Homeowners (2005-2011) | 2005: \$2,344 PIF: 3,117K | 2011: \$3,350 PIF: 3,807K | 6% |

Thoughtful Capital Allocators: *Selected Lines of Business*

| | | Net Written Premiums (\$ in millions) | |
|--------------------|---|--|------------------------------|
| Business Insurance | Select – Plus (2008-2013) | 2008: \$1,453 | 2013: \$1,023 |
| | Northland (2007-2013) | 2007: \$614 | 2013: \$469 |
| | National Accounts (2005-2011) | 2005: \$1,230 | 2011: \$782 |
| | Surety (2008-2013) | 2008: \$896 | 2013: \$721 |
| FP&II | Public Company Liability (2005-2013) | 2005: \$239 | 2013: \$154 |
| | International (2007-2012) | 2007: \$1,342 | 2012: \$1,057 |
| Personal Insurance | Personal Automobile (2011-2013) | 2011: \$3,788 PIF: 2,571K | 2013: \$3,370 PIF: 2,103K |
| | Homeowners (2011-2013) | 2011: \$3,350 PIF: 3,807K | 2013: \$3,278 PIF: 3,221K |

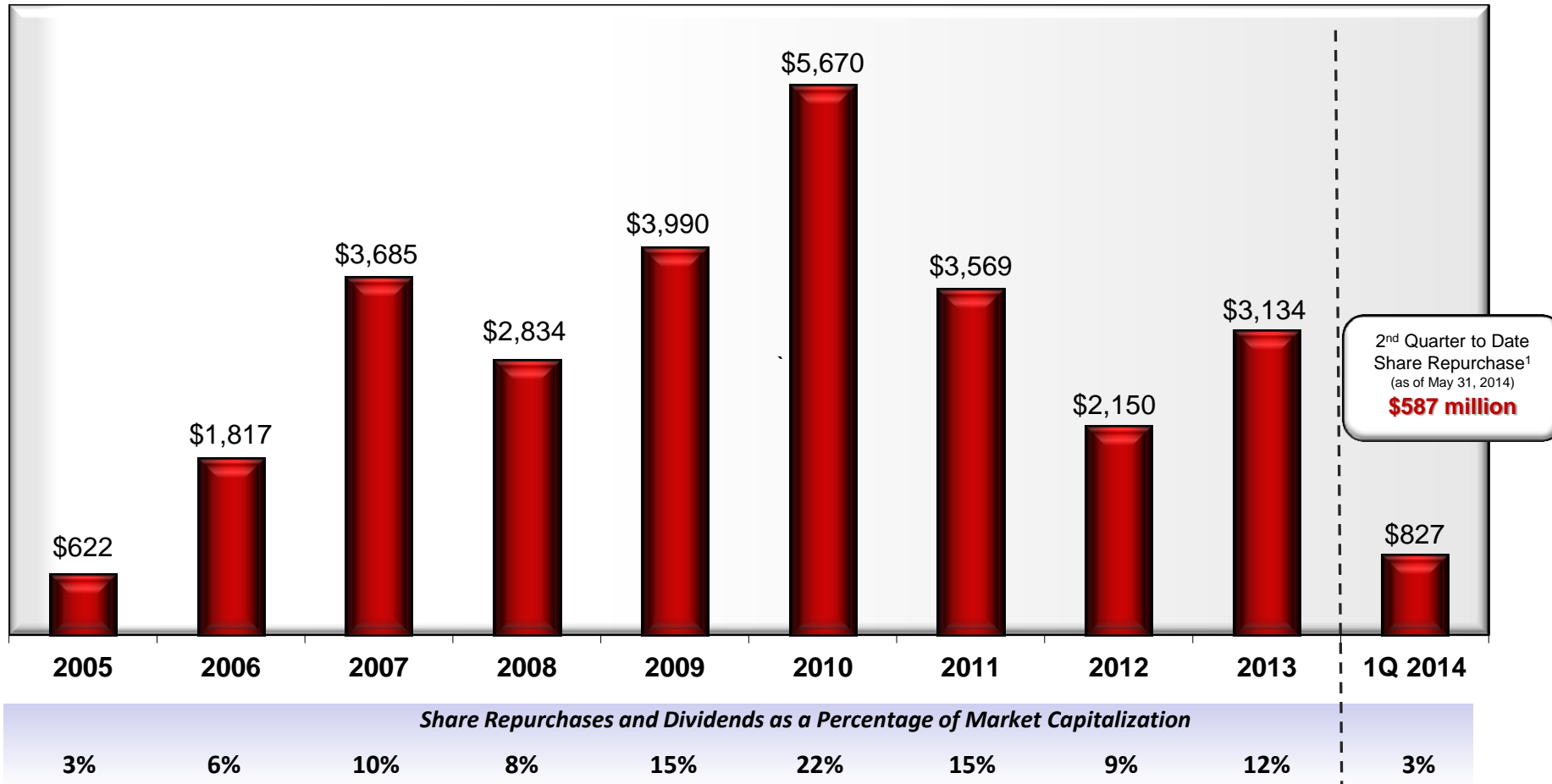
Overview

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- Thoughtful capital allocators.
- Return excess capital to shareholders.

Return Excess Capital to Shareholders

(\$ in millions)

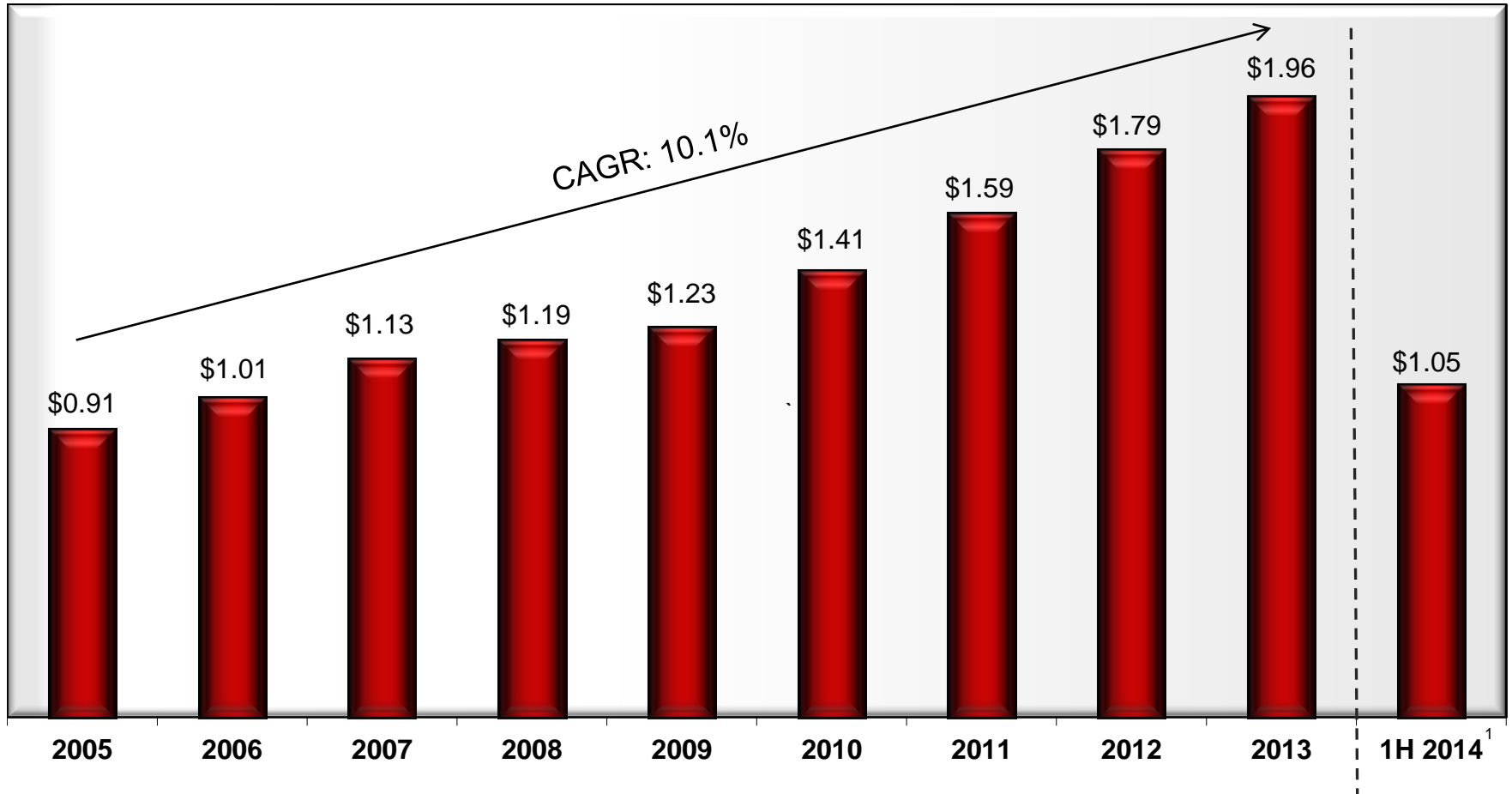
Share Repurchases¹ and dividends



Since the initial share repurchase authorization granted by the Board in 2Q'06, TRV has repurchased 405.0 million shares² or 58% of the then outstanding number at a total cost of \$22.5 billion

Return Excess Capital to Shareholders

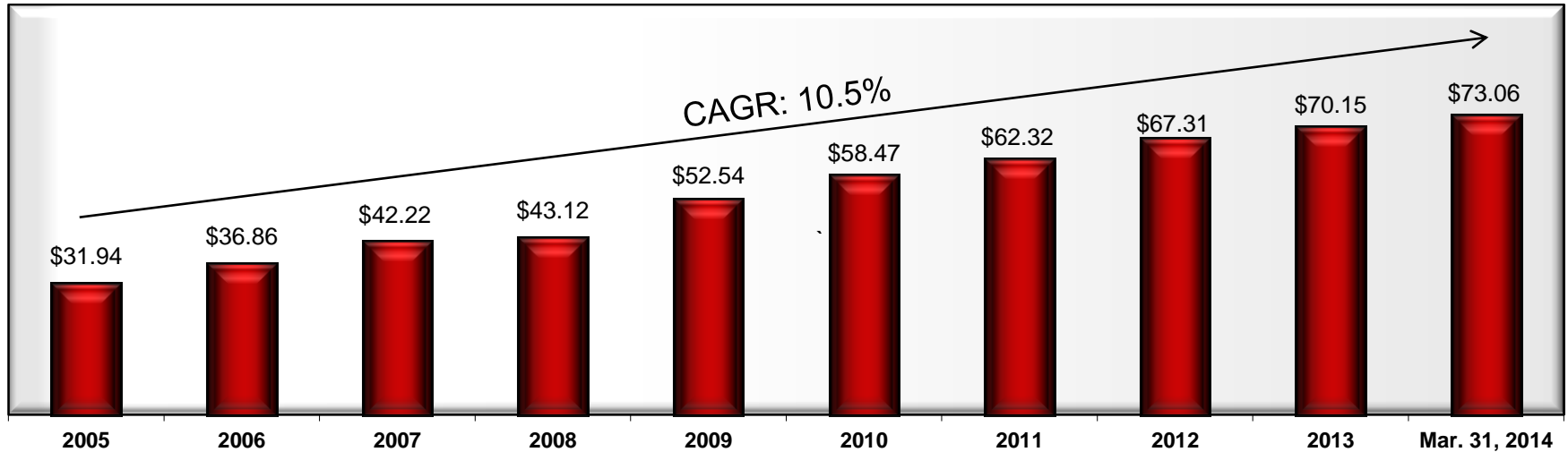
Dividends Per Share



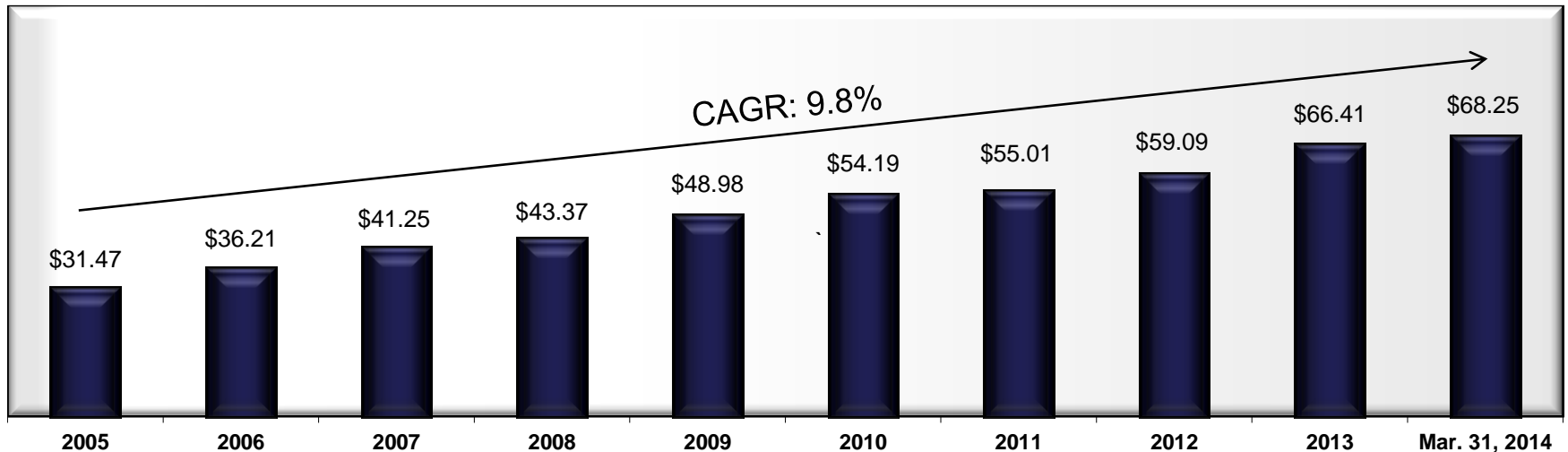
Travelers has increased quarterly dividend per share for 10 consecutive years

Consistent Growth of Book Value Per Share

Book Value Per Share



Adjusted Book Value Per Share¹



¹ Adjusted book value per share is total common shareholders' equity excluding the after-tax impact of net unrealized investment gains and losses divided by the number of common shares outstanding.

See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

Agenda



Travelers Medical Advantage

Vinny Armentano - Senior Vice President, Business Insurance Claim



Select Accounts

Marc Schmittlein – Executive Vice President, Select Accounts & Agribusiness



Personal Insurance

Greg Toczydlowski – Executive Vice President & President, Personal Insurance

Agenda: Travelers Medical Advantage

- Legacy of innovation (TravComp, Predictive Modeling, Nurse Triage Patent, and Concierge Claim Nurse).
- Decades of experience as a premier national accounts servicing carrier in workers' compensation.
- Differentiating expertise in risk management, medical management and return to work supported by 3,700 Claim & Risk Control professionals.
- Best in class claim practices driven by medical management interaction with claim handling.
- Forward thinking: significant planning related to competing in the changing medical environment.
- Business customers are highly motivated to mitigate risk and manage losses effectively and value our expertise.

Agenda: Select Accounts

- Market leading position in small commercial with history of innovation and investment.
- Clear understanding of the factors for success in the segment, including product breadth of Travelers property casualty franchise.
- Differentiated technology at the agents' desktop critical for success.
- Analytical skill to optimize performance.

Agenda: Personal Insurance

- Premier company within independent agent channel.
- Full account solution provider with industry leading property results and strong position in the preferred auto market.
- Analytical skill to quickly identify challenges and opportunities.
- Commitment to competing in a changing environment.
- Update on Quantum Auto 2.0.



The Travelers Companies, Inc.

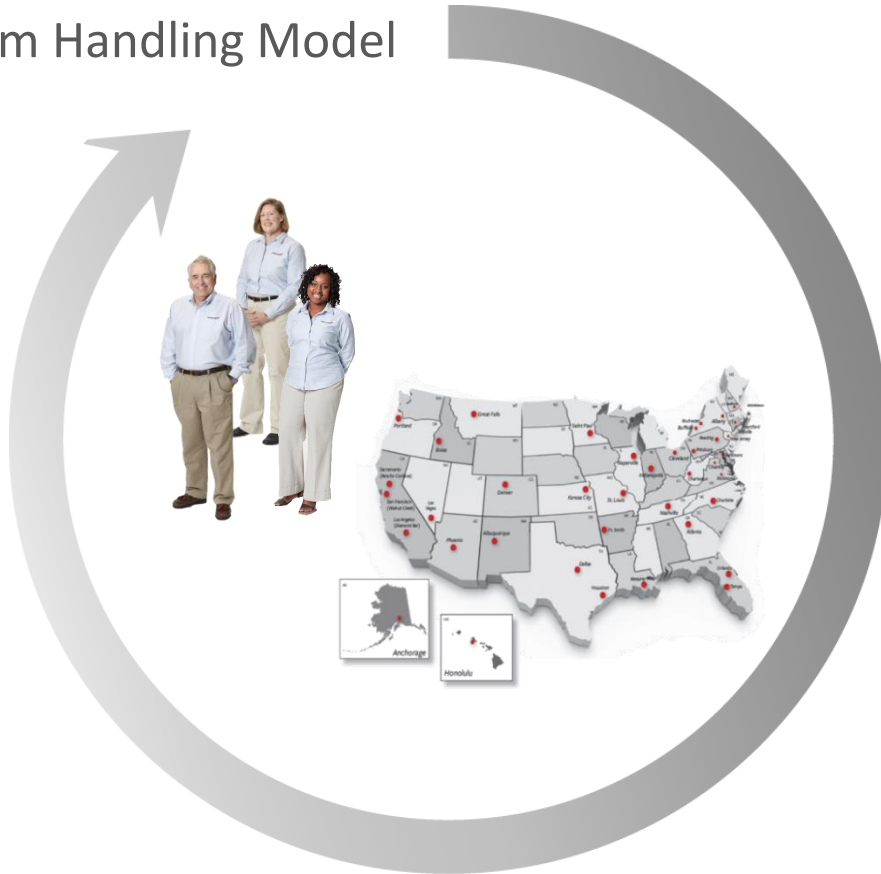


Vinny Armentano

Senior Vice President, Business Insurance Claim

TravComp Specialized Workers Compensation

Claim Handling Model



- Compensability determination
- Return-to-work
- State specialty desk
- Catastrophic claim resolution
- Reduced loss costs on Travelers claims by 8-10%¹

Scale and Expertise

- National footprint
- National insights
 - Claim analytics
- Functional specialization
- Leading results




Over 3,700 Workers' Compensation and Risk Control professionals serving our customers

Scale and Expertise

Market Share

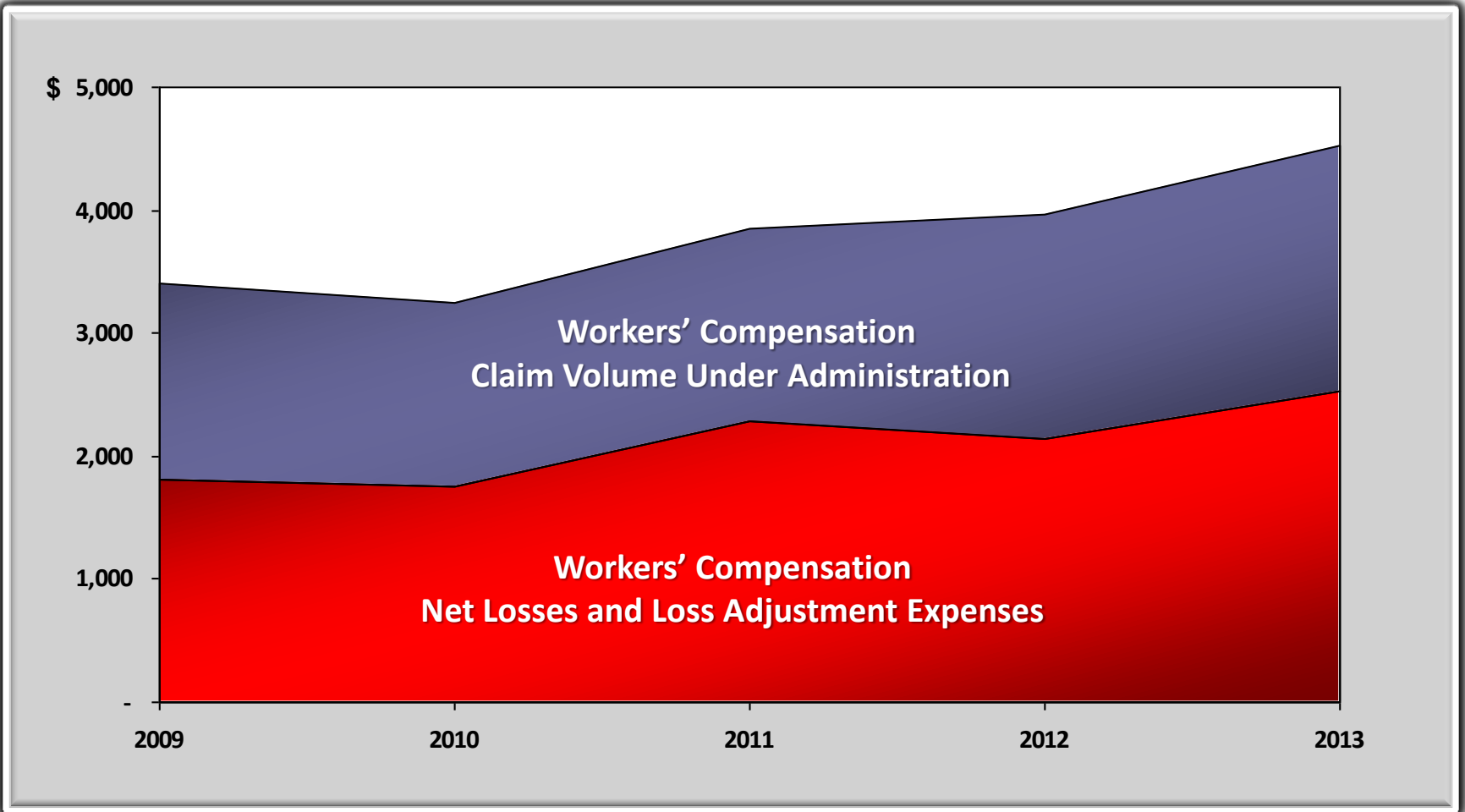
Top 5 Workers Compensation Carriers¹

| Rank | Company | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | TRAVELERS  | 5.4% | 6.1% | 6.7% | 7.1% | 7.3% | 7.8% | 8.0% |
| 2 | Liberty Mutual | 11.0% | 11.7% | 10.9% | 10.2% | 9.3% | 8.6% | 7.0% |
| 3 | Hartford | 5.0% | 5.6% | 6.1% | 6.6% | 7.1% | 6.8% | 6.5% |
| 4 | AIG | 11.8% | 9.6% | 9.4% | 9.0% | 7.9% | 6.1% | 5.5% |
| 5 | Zurich | 5.4% | 5.1% | 5.3% | 5.3% | 5.1% | 5.0% | 4.9% |

National Account capabilities leveraged into our Select and Middle Market segment growth

Scale and Expertise

(\$ in millions)



Our significant workers' compensation scale powers our industry leading data and analytics platform

Local Presence for a Local Product

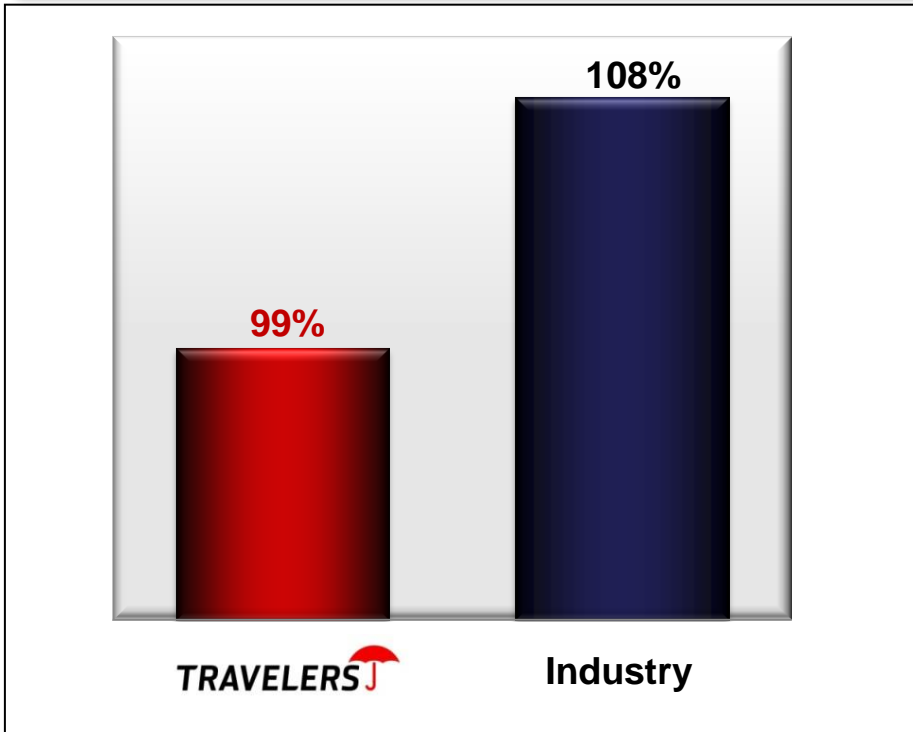


- Local delivery of services
 - 40 Claim locations
- Modified approach to each state-based system
- Deeper understanding of jurisdictional nuances
- Local data and analytics

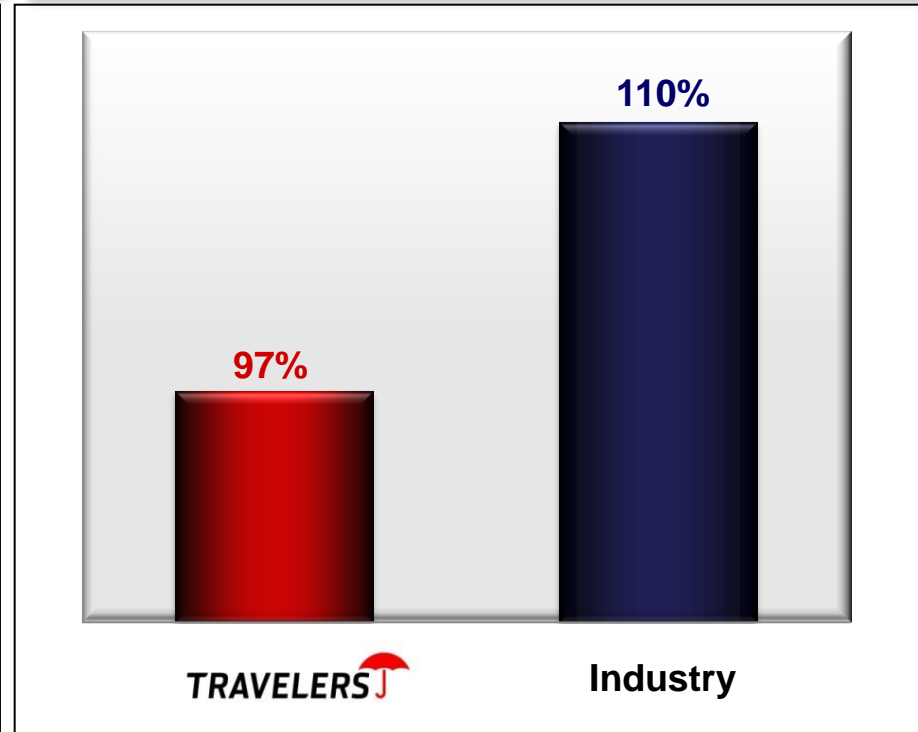
Our size and scale allow us to have local insights

Workers' Compensation Results Outperforms Industry

Statutory Combined Ratio: 2007-2011¹



Statutory Combined Ratio: 2009-2013¹



Claim and Risk Control combined with informed underwriting and pricing has led to consistently outperforming the industry over time

Proven Results For Our Workers' Compensation Customers

Return-to-work



- 67% of injured workers return to work within 30 days¹

Medical Savings



- Average 60 cents saved per dollar billed²

Medical Network



- Approximately 80% medical provider network penetration³
- 84% pharmacy network penetration³

Pharmacy



- 47% overall cost reduction³
- 10% of total medical spend vs. 14% for industry³

Subrogation



- Recovery rates exceed the industry benchmark rates by approximately 20%⁴

Our proven capabilities drive superior outcomes for our customers

¹2012 accidents evaluated as of 12/31/12; 2009-2012 accidents evaluated as of 12/31/12.

²Services paid in 2010, evaluated as of 2011.

³NCCI WC Prescription Drug Study Update – August 2011.

⁴2011 National Association of Subrogation Professionals (NASP) WC Subrogation Benchmark Study conducted by the Ward Group; Gross recovery rate = calendar year subrogation/Total calendar year paid losses.



• **Business Insurance 2013 Buyer's Choice Award**
 Travelers Workers Compensation Claim received top rating for **service, excellence and expertise** in both Workers' Compensation and Auto

Capabilities valued by our customers – Recognized by the marketplace

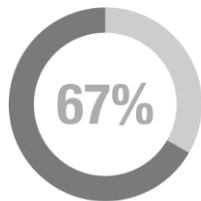
Industry Leading Capabilities Sustain Competitive Advantages



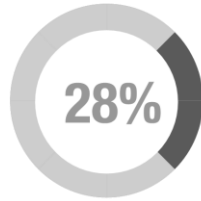
- Improving combined ratio performance vs. industry
- # 1 market share
- Customer recognition for expertise and service
- Industry-leading medical capabilities
- Results delivered for our customers

Superior outcomes support continued investment in our capabilities

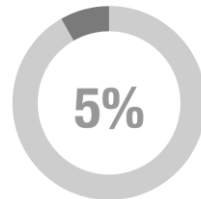
The U.S. Spends **\$3 Trillion** on Healthcare



Private Healthcare



Federal Healthcare

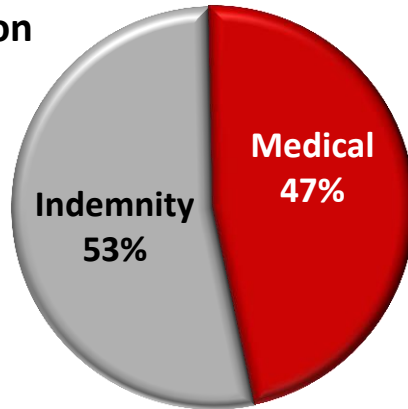


Property Casualty

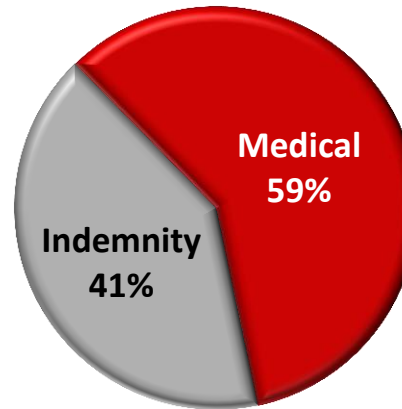
Medical Loss Cost Trends

Workers Compensation

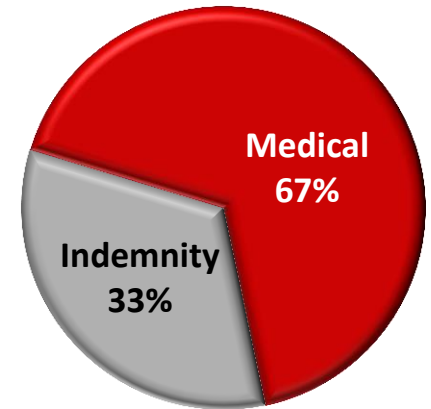
(NCCI industry results)



1989



2011

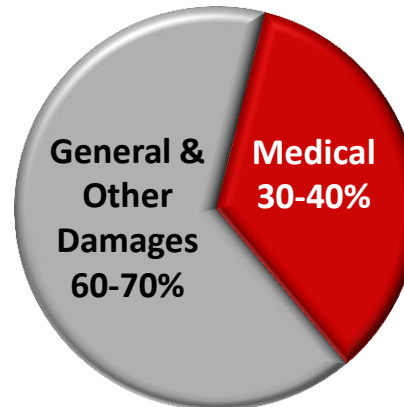


2019 Estimate

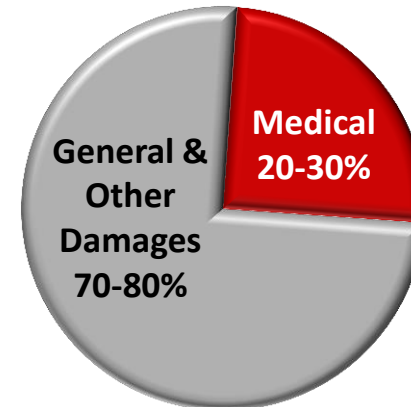
General Liability / Auto

(2011 Travelers Actuals)

General Liability



Auto



Medical is 50% of casualty loss costs...and growing

Affordable Care Act

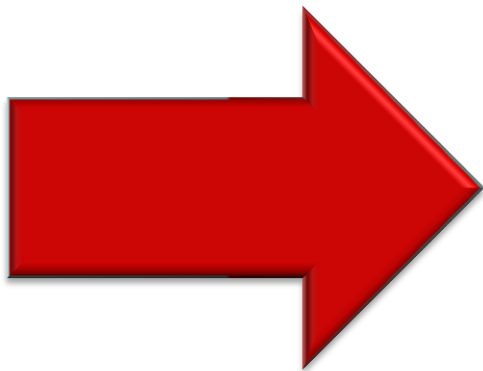
32m

Americans expected to enter the system¹

15%

Increase in healthcare demand projected¹

Impact



- ✓ Healthcare System
- ✓ Employers
- ✓ Property & Casualty



Every day

for the next
19 years

10,000

Americans
will turn 65¹



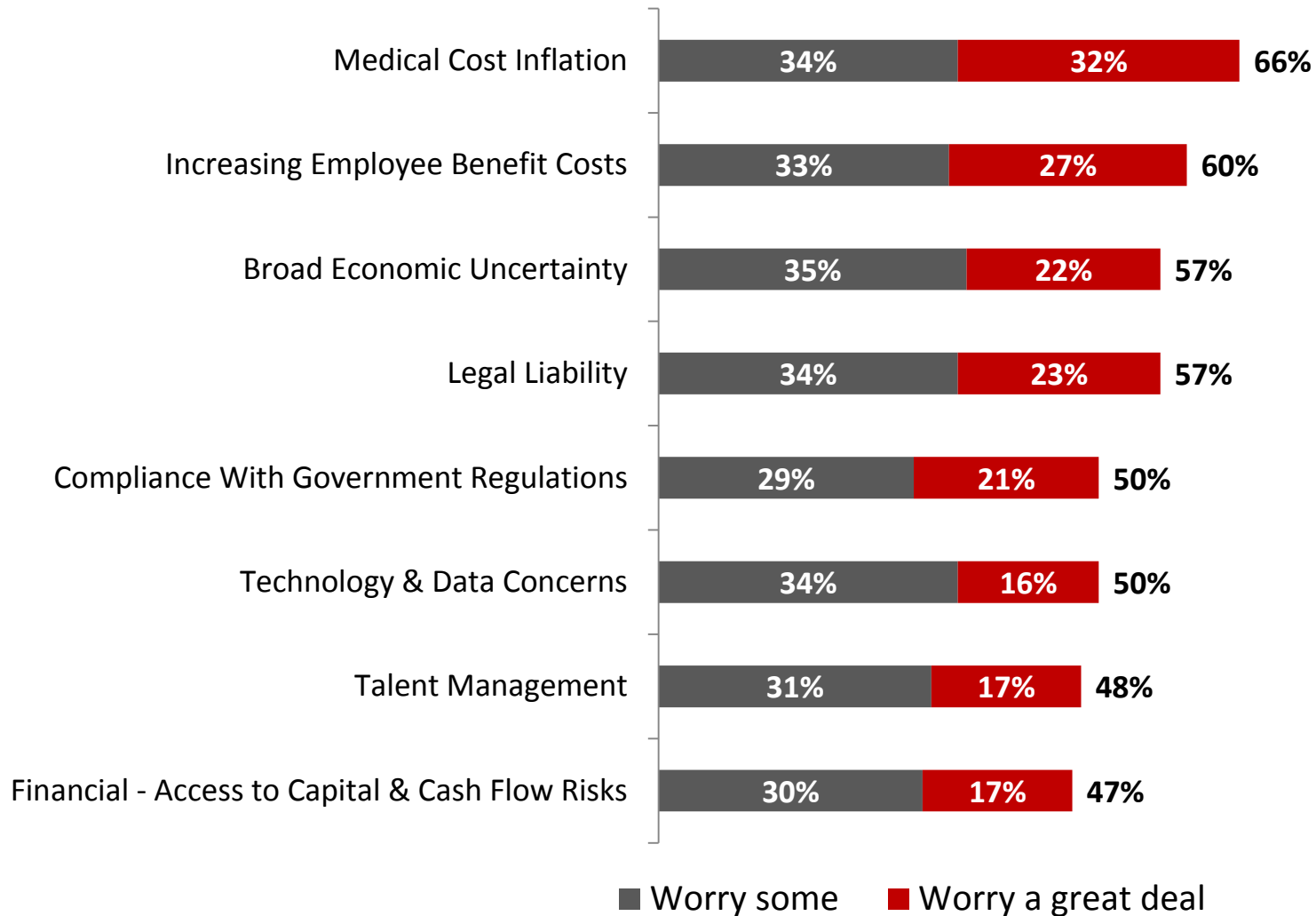
25%

of the U.S. Workforce
will be 55+
by 2022²

¹U.S. Dept. of Commerce, Economics and Statistics Administration. U.S. Census Bureau (May 2010) The Next Four Decades – The Older Population in the United States: 2010-2050.

²Bureau Labor Statistics – Employment Projections 2012-2022.

What are Businesses Worried About?

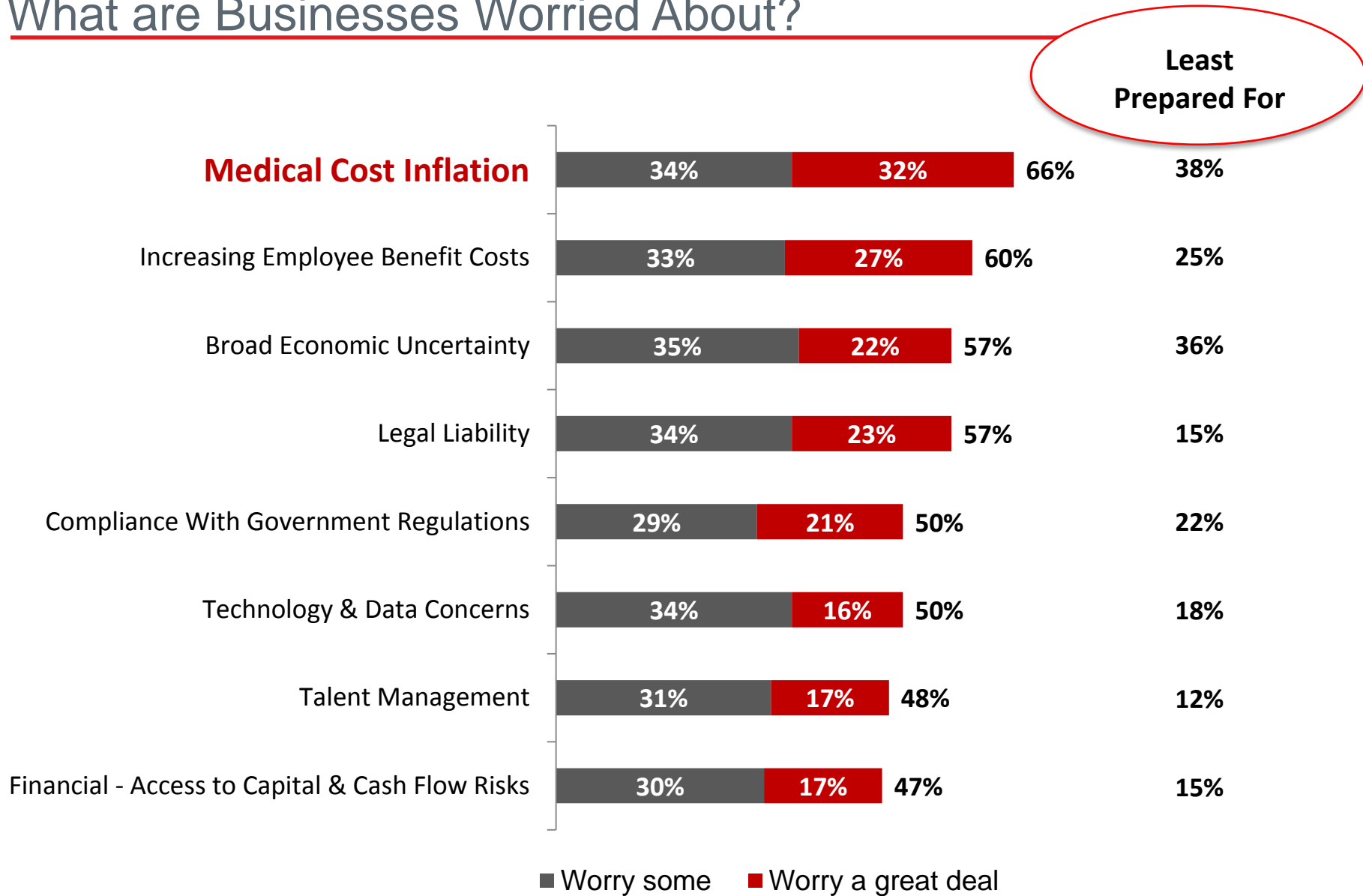


Base: Total Respondents (n=1,166)

Q13A People in business face many risks, and we want to understand what risks are on your mind. Please check a box in each line to indicate how much you fear or worry about the following things threatening your business.

Q15B Using the same list of potential risks, please select the three to five you feel the **least** prepared for.

What are Businesses Worried About?



Base: Total Respondents (n=1,166)

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Travelers' Focus on Medical

- P&C is 5% of healthcare spend.
- Medical is 50% of customer casualty losses.
- There is uncertainty with cost and availability of healthcare.
- Customers' #1 concern is medical cost inflation.
- Customers are looking for help understanding and managing medical in this uncertain environment.

Travelers is transforming our medical management capabilities while most of the industry is waiting to see what happens next

Innovation

Expertise

**Data &
Analytics**

Prevention

Transforming our medical management capabilities

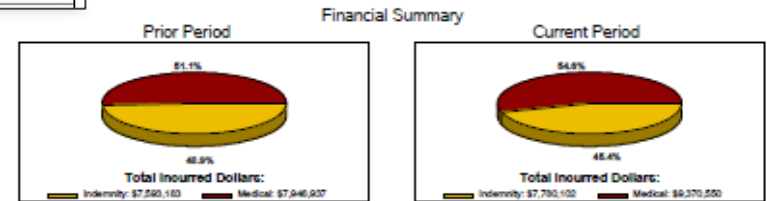
Leveraging Analytics to Monitor Changes in the Marketplace

Internal

WC - Early Warning Indicators

| Measure* | Availability | Expected | Actual - Q1 2014 | Status |
|-------------------------|--------------|----------|------------------|--------------------------------------|
| Network Penetration | Monthly | 79% | 80% | ● |
| Network Savings Percent | Monthly | 14.5% | 15% | ● |

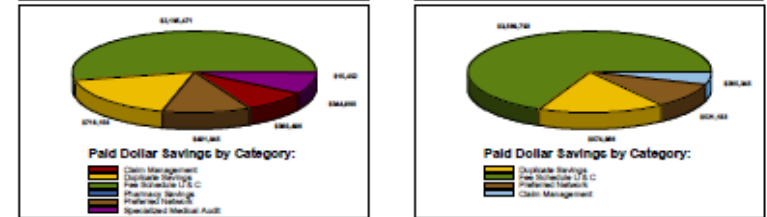
External



Medical/Pharmacy Bill Savings

| Category | Counts or Dollars |
|--------------------------------|-------------------|
| Medical Bill Count | 10,662 |
| Medical Bill Dollars | 6,252,693 |
| Medical Gross Savings Dollars | 4,387,937 |
| Medical Actual Paid Dollars | 4,107,730 |
| Pharmacy Prescription Count | 1,138 |
| Pharmacy Value Dollars | 79,867 |
| Pharmacy Gross Savings Dollars | 15,452 |
| Pharmacy Actual Paid Dollars | 65,672 |

| Category | % Claims |
|------------------------|----------|
| Network Penetration: | |
| Medical Bill | 81.1% |
| Pharmacy Prescription | 58.8% |
| Savings and Discounts: | |
| Medical Bill | 49.4% |
| Pharmacy Prescription | 19.6% |



Return to Work

| Category | % Claims |
|-----------------------------------|----------|
| Returned to Work in 1 to 14 Days | 88.2% |
| Returned to Work in 15 to 30 Days | 10.8% |
| Returned to Work in 31 to 60 Days | 9.02% |
| Returned to Work after 60 Days | 3.10% |
| Currently Open Last Time Period | 13.8% |

General Liability – Bodily Injury Only

| Measure | Availability | Expected | Actual - Q1 2014 | Status |
|--|--------------|-----------|------------------|--------------------------------------|
| Duration - Average Age of Close | Annually | 70% / 30% | | ● |
| Average Age of Inventory | Monthly | 4 months | 4 months | ● |
| Sustained Damages (Underinsured) | Monthly | 19 months | 19 months | ● |
| Total Medical and Pharmaceutical Savings | Monthly | 33 months | 9 months | ● |
| Frequency vs. Severity mix of claims | Monthly | 22 months | 22 months | ● |

Automobile

| Measure | Availability | Expected | Actual - Q1 2014 | Status |
|--|--------------|-----------|------------------|--------------------------------------|
| Auto Liability Indemnity / Medical Dollars | Annually | 36% / 64% | | ● |
| PPM medical treatments per claimant | Monthly | 35.3 | 35.5 | ● |
| PPM percentage of total Auto injury claims* | Monthly | 47.8% | 49.0% | ● |
| Auto Liability Minor Claim Ratio (n=52,500)* | Monthly | 30.8% | 30.5% | ● |

* Adjusted to reflect open and closed claims

Robust medical management database

Innovation: ConciergeCLAIM[®] Nurse

- Travelers nurse is on-site in a local healthcare clinic to meet with injured employees face to face.
 - ✓ Answer questions and set expectations about the claim process.
 - ✓ Discuss the employee's medical needs after each clinic visit.
 - ✓ Make sure the employee understands and complies with the treatment plan created by the treating physician.
- Program rolled out over the last four quarters.



Attorney
representation
down 28%¹

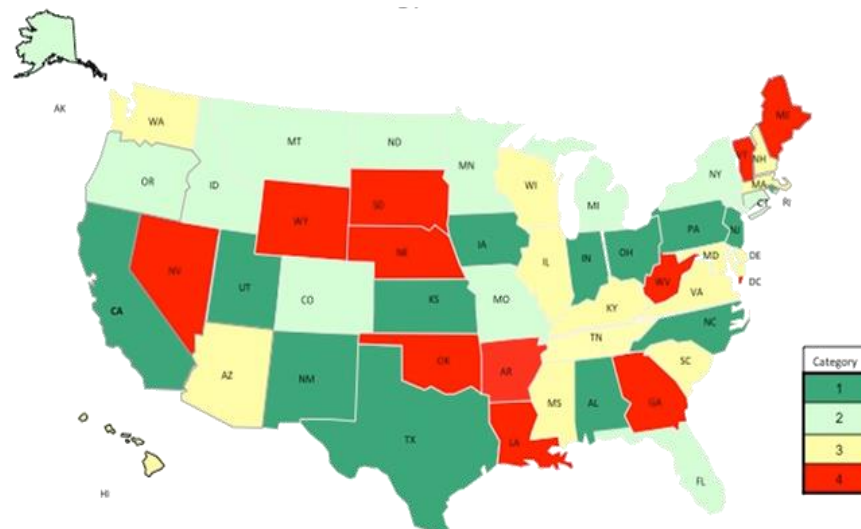
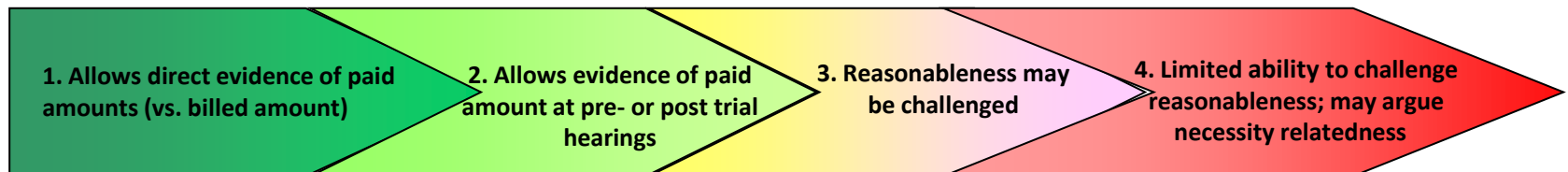
Employees return to work
24% sooner¹

Early results show reduced
Workers' Compensation loss
costs by 5%¹

Increased physician access for injured workers

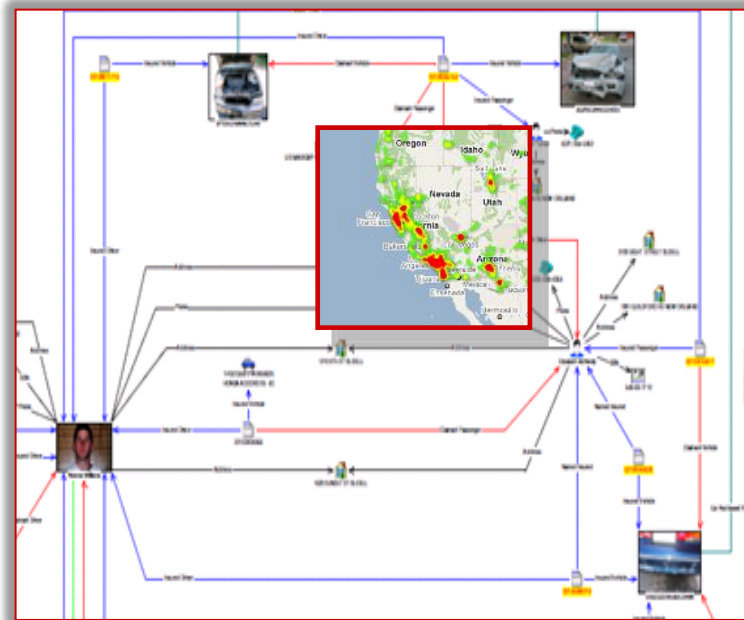
Expertise: Unique Auto & General Liability Medical Solutions

- Focus on mitigating medical component of third party claim.
- Auto Liability / General Liability units locally supported by Liability Nurses.
- Medical damage analysis tools are used to compare medical bills to usual and customary reimbursement rates.
 - Average 40% lower than submitted amount.
- Medical records are summarized to assist our claim professionals evaluation of damage.



Data & Analytics: Advancing Medical Fraud Detection

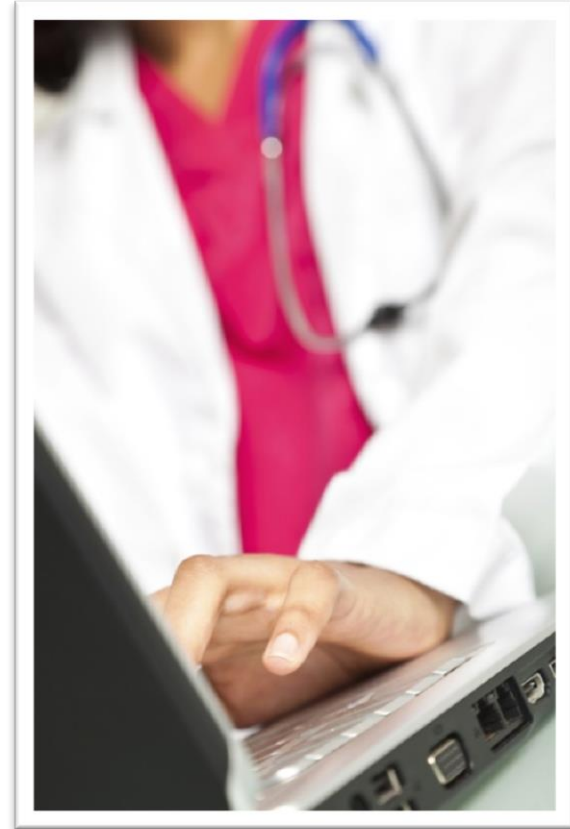
- Over 300 Travelers investigators.
 - Over 90% local.
- Leverage expertise and rich medical data sets for fraud predictive models.
- Geospatial capabilities to identify potential fraud “hot spots”.
- Only P&C carrier invited on Federal Healthcare Fraud Prevention Partnership.



Leveraging technology to combat fraud

Data & Analytics: Pharmacy Improvements

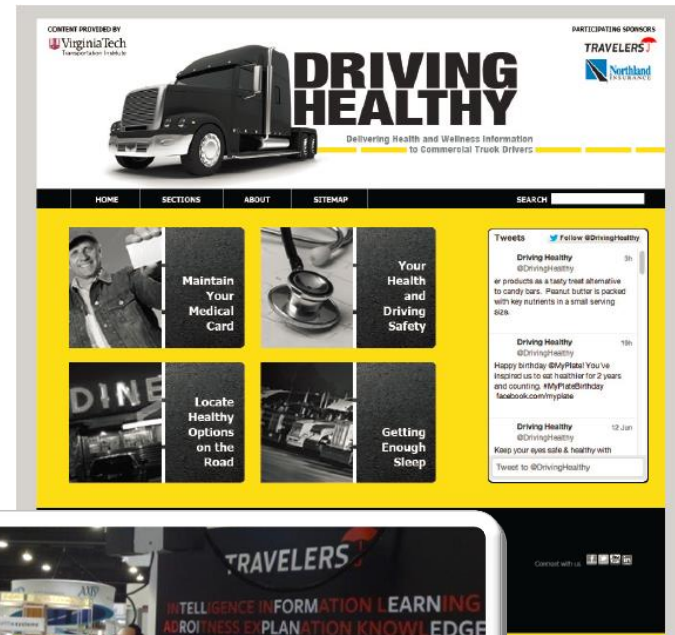
- Chronic pain predictive models.
- Shaping public policy.
- Investment in pharmacy capabilities.
 - Staffing, training, analytics
- Appropriate administration of the right medications.



28% lower pharmaceutical spend than Workers Compensation industry¹

Risk Control: Wellness

- Wellness focus
- Partnership with Virginia Tech Transportation Institute (VTTI)
 - Eating healthy
 - Cognitive ability
- Virtual Risk Experience
 - Behavioral modification



Going beyond traditional risk control methods

Turning Challenges into Opportunities

- American business owners are concerned.
- We understand the environment and are out in front of the industry providing solutions.
- We stay committed to developing industry-leading capabilities.



Leveraging integrated medical capabilities and insights

Anticipating Emerging Risks

.....

Continued Investment

.....

Transforming Capabilities Over Time

.....

**A real advantage for our customers
and Travelers**



The Travelers Companies, Inc.



Marc Schmittlein

Executive Vice President, Select Accounts & Agribusiness

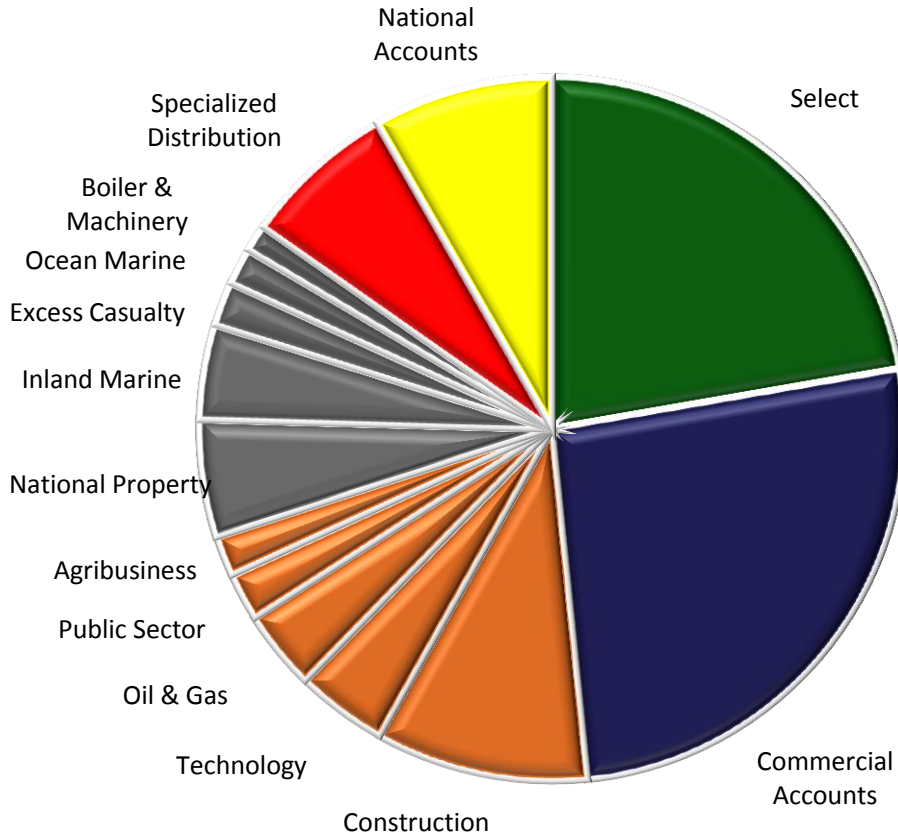
How We Manage the Business

- Consistently invest in the development of competitive advantages.
- Strategic decisions and the resulting capital allocations are driven by projected returns.
- Manage the business where and when we believe competitive advantages provide opportunities.
 - Growth where we believe we can outselect/outperform the competition.
 - Reduce exposure when we believe adequate returns are not achievable.

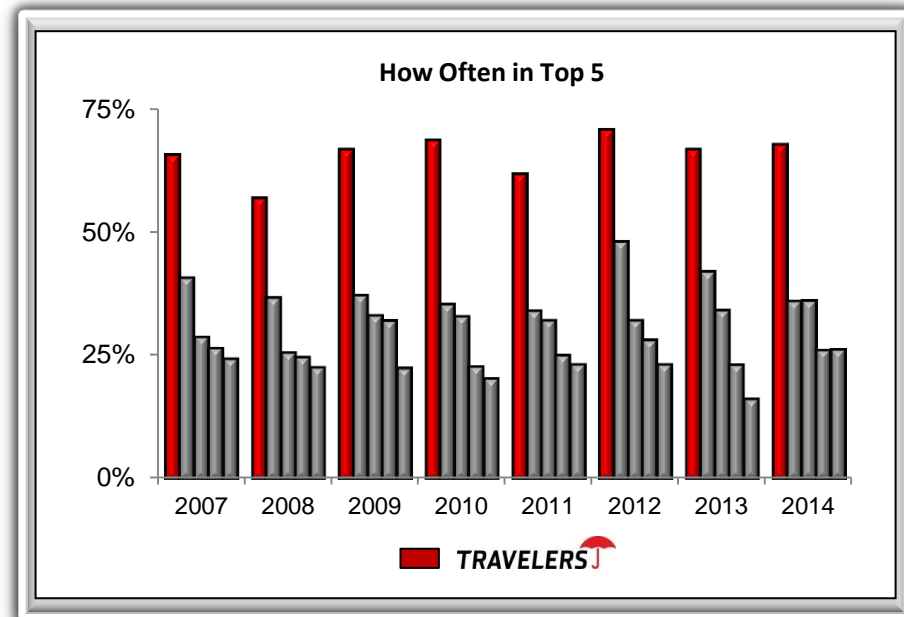
Business Insurance

Distribution Advantage

Business Insurance
2013 Net Written Premiums: \$12.2 Billion



Agent Survey¹
Top 5 Carriers Agents Do Business With



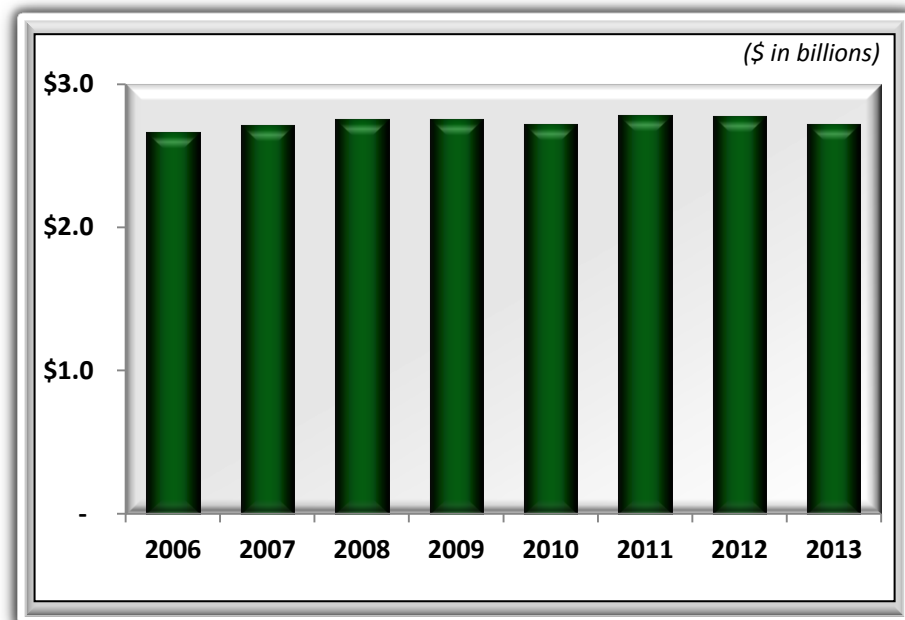
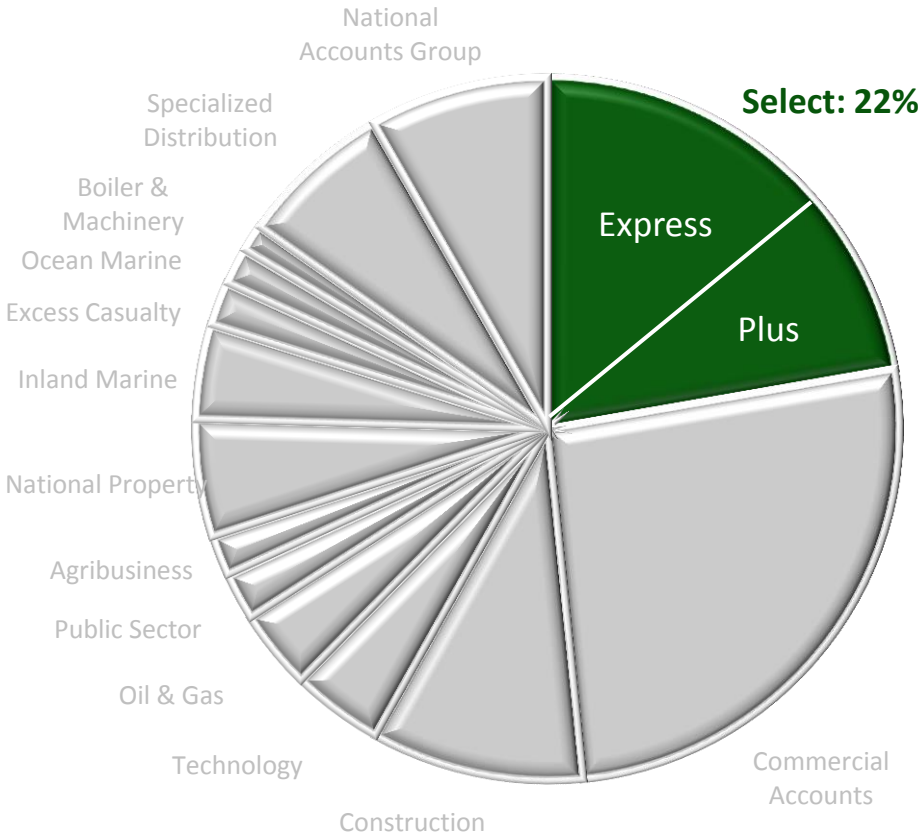
Leading distribution position

Business Insurance

Select Position

Business Insurance
2013 Net Written Premiums: \$12.2 Billion

Select
Net Written Premiums



Consistent total premium...but significant underlying business changes

The Landscape of Select

Managing Complexity and Investing in Opportunities

| | Express | Plus |
|------------------------|---------------|---------------|
| Premium | \$1.7 Billion | \$1.0 Billion |
| Policies in force | 680,000 | 125,000 |
| Accounts | 530,000 | 80,000 |
| Average account size | \$3,000 | \$13,000 |
| Annual submission flow | 580,000 | 160,000 |

The Landscape of Select

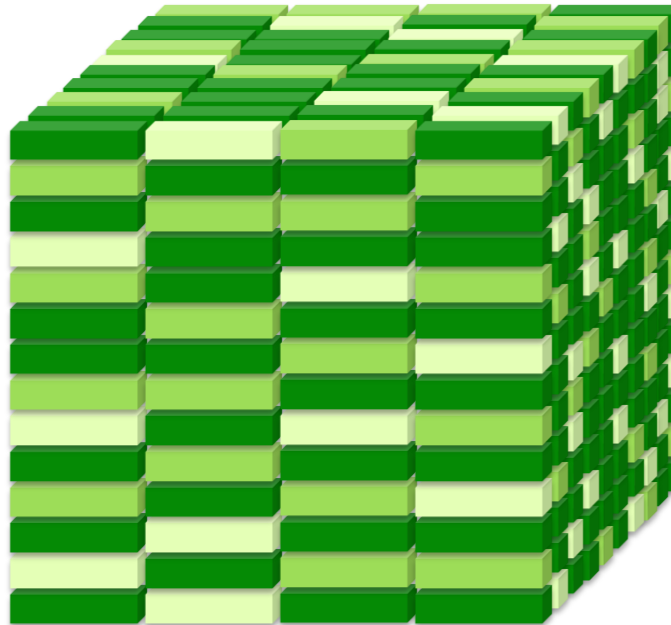
Managing Complexity and Investing in Opportunities

Express Market Summary

| | |
|------------------------|---------------|
| Premium | \$1.7 Billion |
| Policies in force | 680,000 |
| Accounts | 530,000 |
| Average account size | \$3,000 |
| Annual submission flow | 580,000 |

Plus Market Summary

| | |
|------------------------|---------------|
| Premium | \$1.0 Billion |
| Policies in force | 125,000 |
| Accounts | 80,000 |
| Average account size | \$13,000 |
| Annual submission flow | 160,000 |



14 Industry Segments

- 750+ classes

50 States

- 700+ risk selection territories
- 15 underwriting offices
- Sales representatives in 39 states

4 Lines of Business

- Commercial Multi-Peril (Property, General Liability, BOP)
- Workers' Compensation
- Auto
- Umbrella

Business is not homogenous

Select Competitive Advantages

A Legacy of Innovation & Investment Over Time

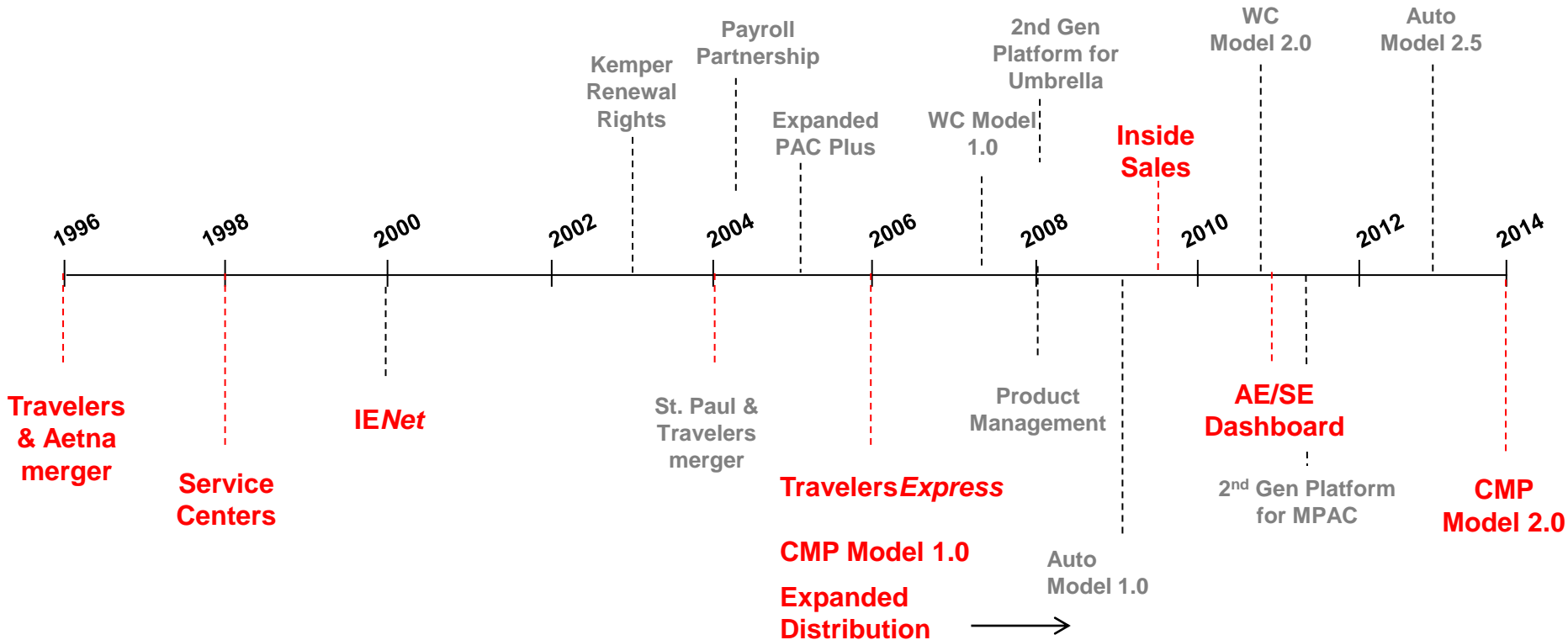


Select Competitive Advantages

A Legacy of Innovation & Investment Over Time



← Execution Excellence →



Select Express

Identifying Growth Opportunities in 2006

Express Market Opportunity

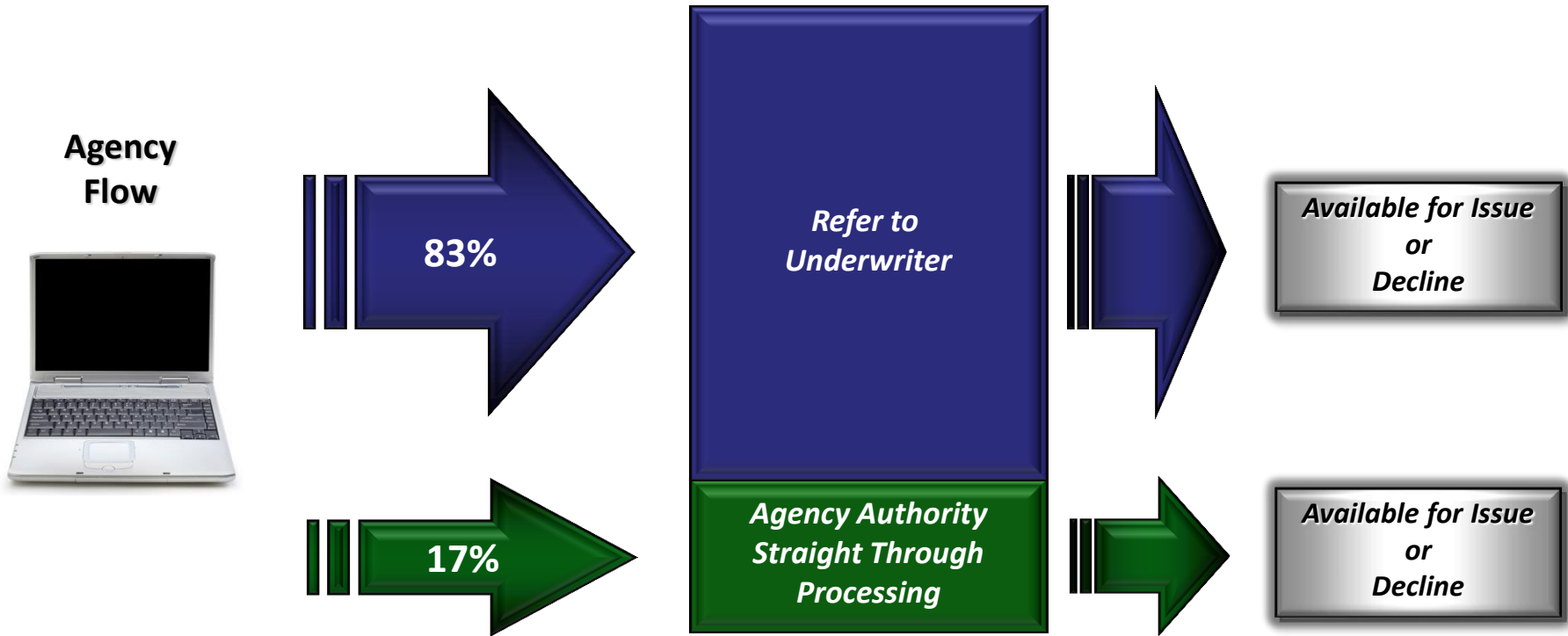
- Agencies challenged with the cost of selling & servicing low premium policies
- Strong retention and appropriate returns on lower premium risks
- Lack of streamlined rate-quote-issue platform
- Under-penetrated in market and flattened new business quote growth

Invest in Select Business

- Platform
- Sophisticated pricing model
- Scaled data & analytics
- Broadened appetite
- Execution tools
- Policy servicing
- Refined business model

Select Express

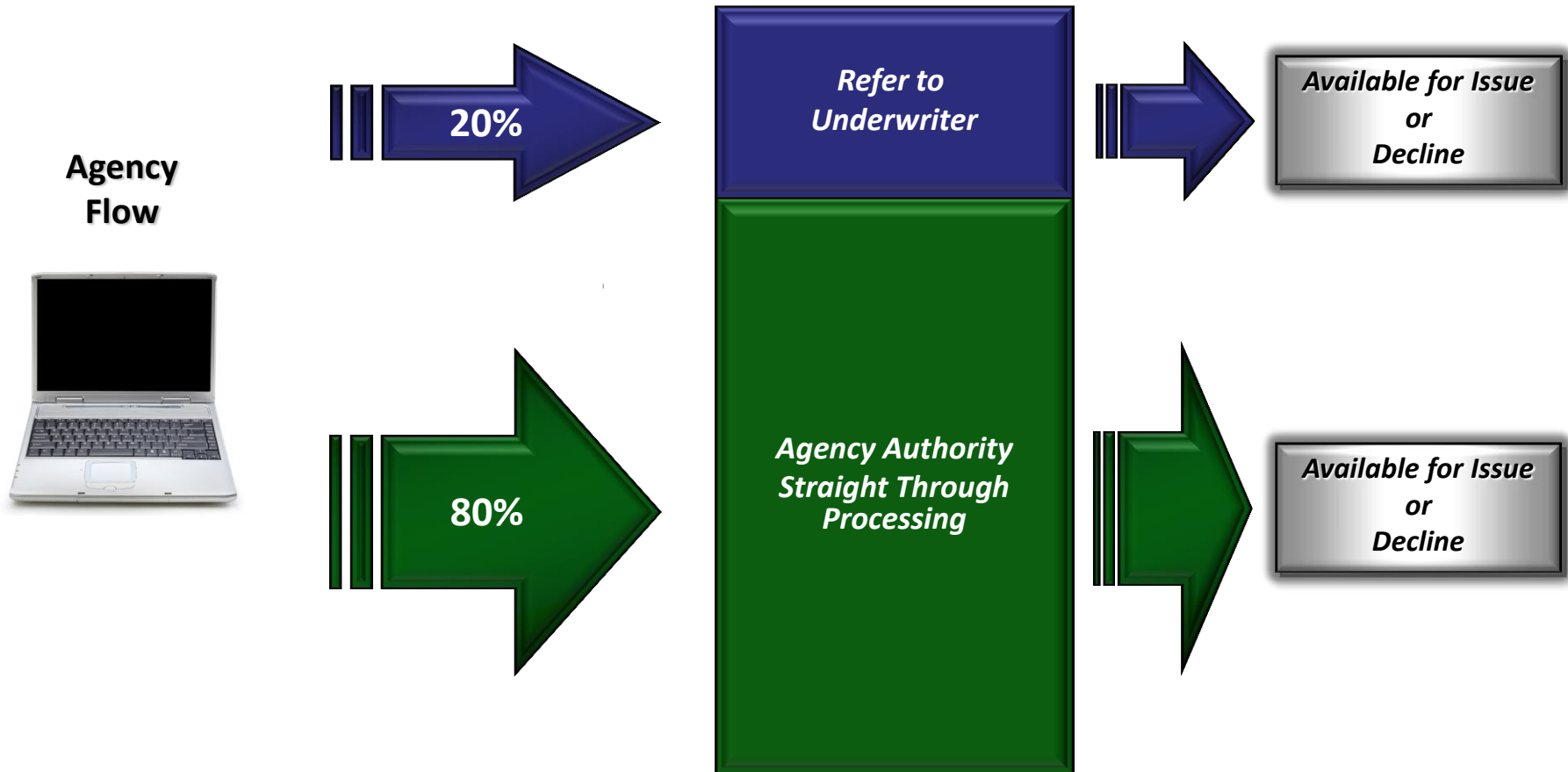
Rate-Quote-Issue Process: **2006 & Prior**



Agent need for technology platform to streamline rate-quote-issue process

Select Express

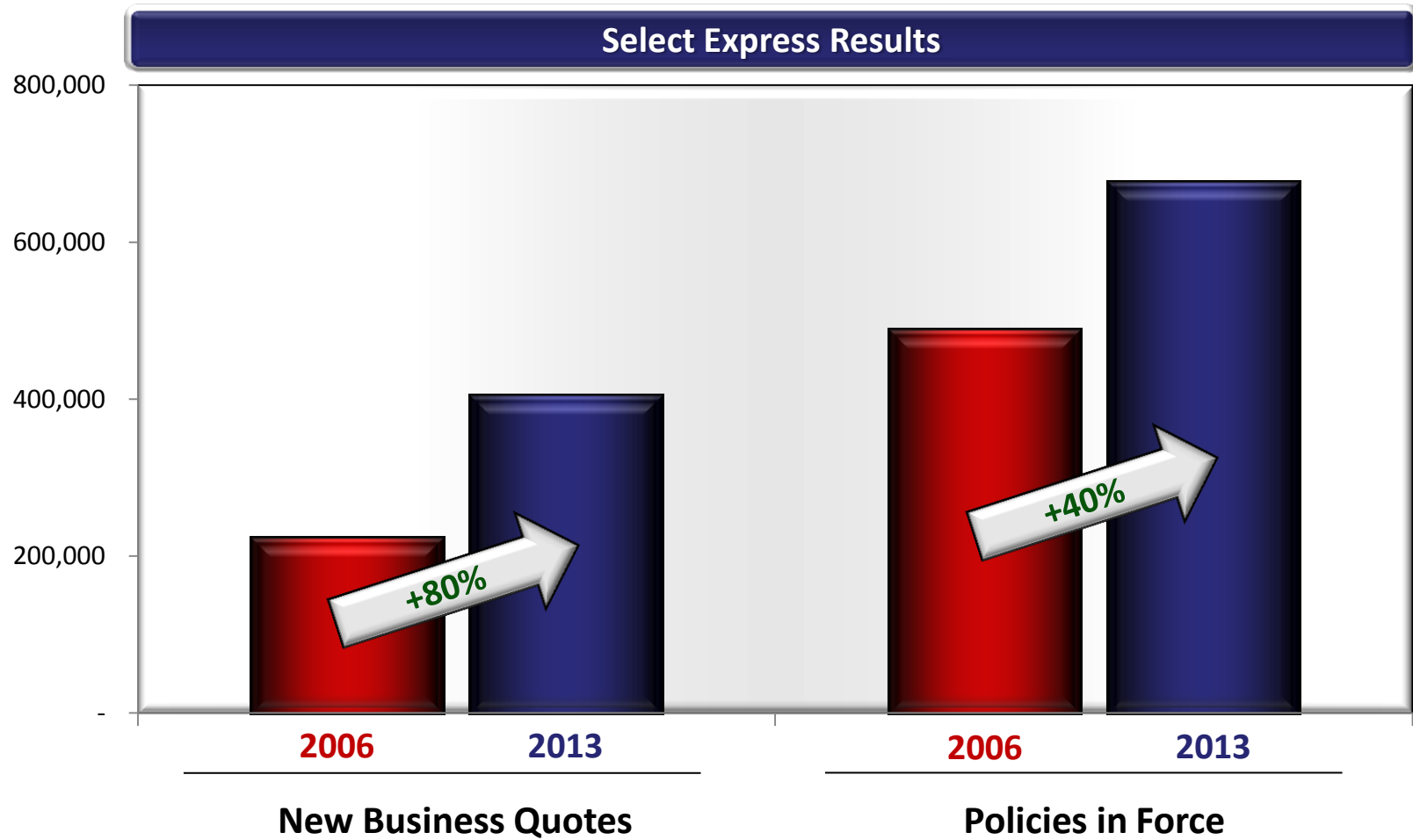
Rate-Quote-Issue Process: **2013**



Strategic investment to create efficient, scalable business model

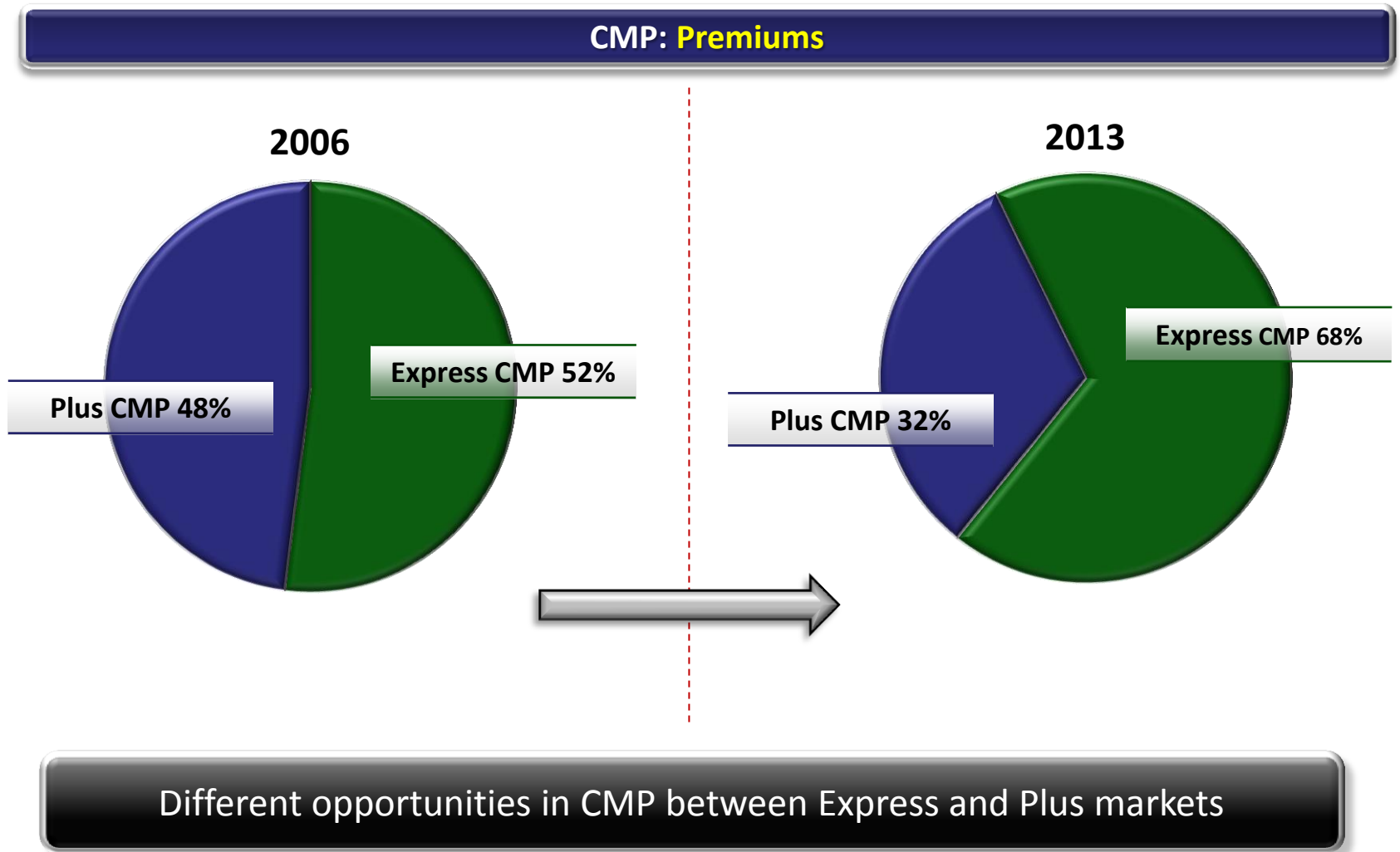
Select Express

Identifying Growth Opportunities



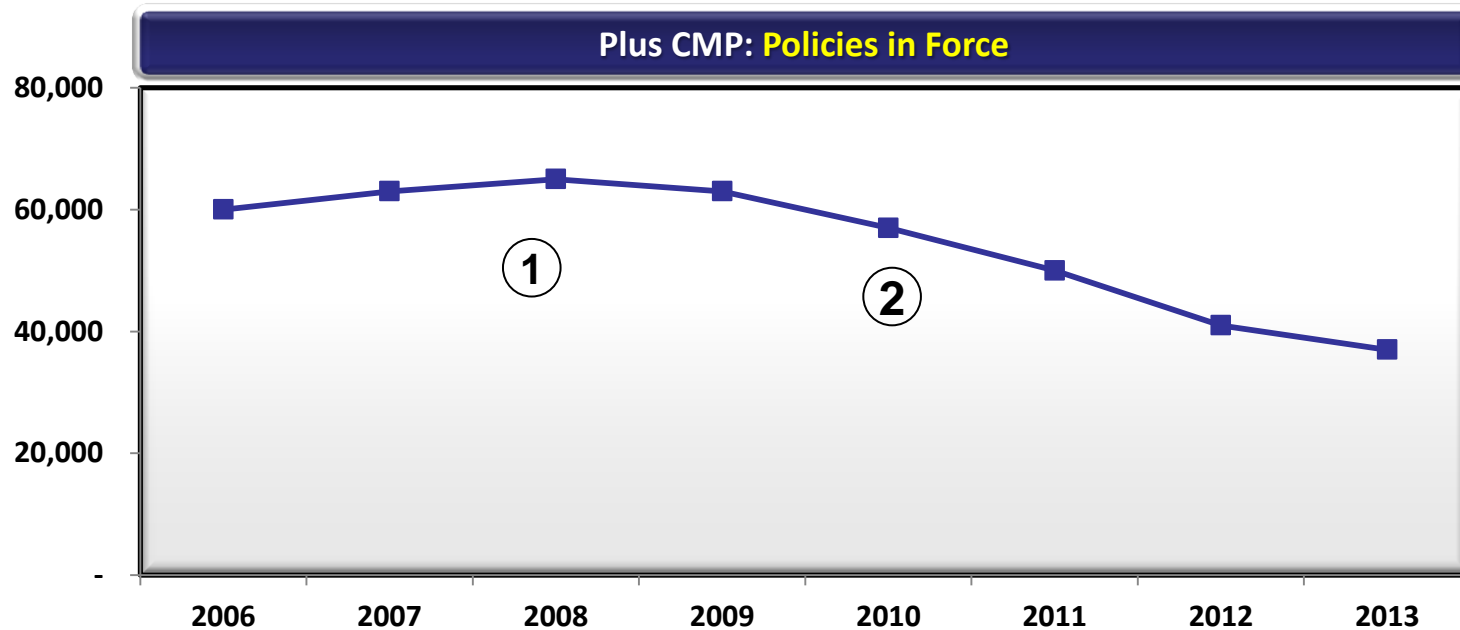
Commercial Multi-Peril (CMP)

Investment & Disciplined Execution 2006-2013



Plus CMP

Disciplined Execution



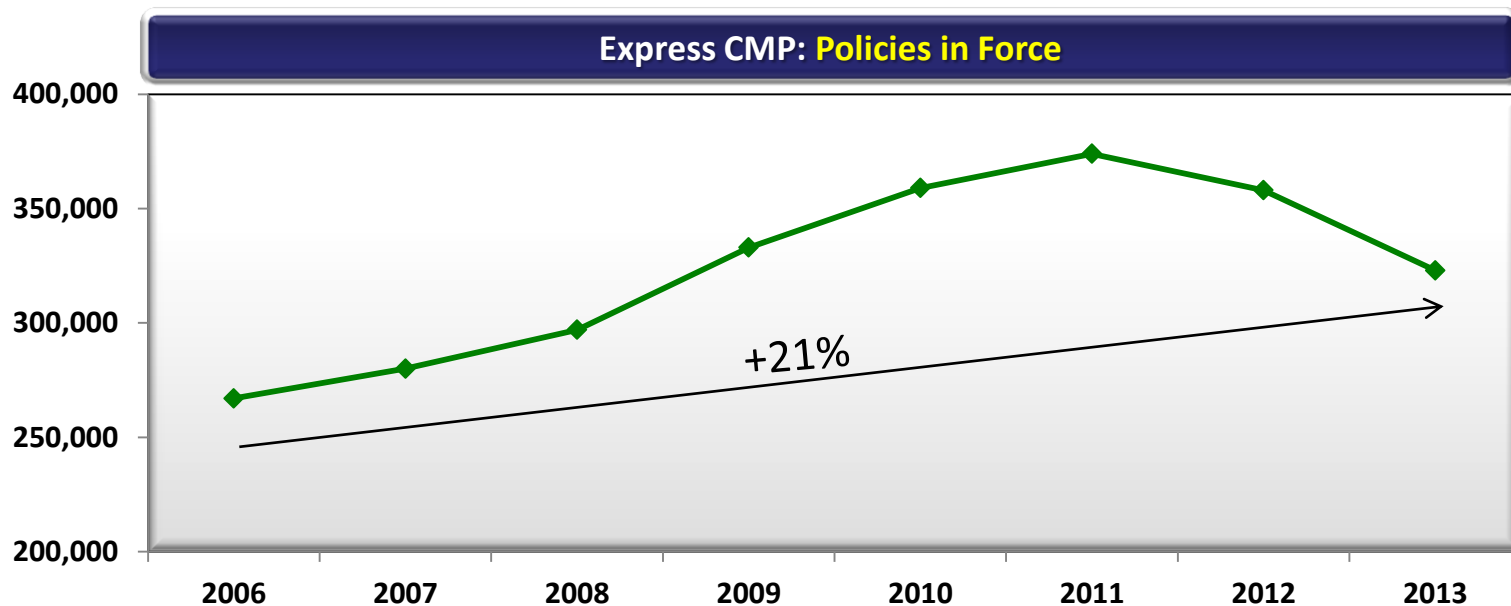
Aggregate returns challenged by:

- ①
 - Competitor dynamics as to new business
- ②
 - Weather volatility
 - Cumulative effect of rate change not covering loss trend
 - Historically low interest rates

Underwriting expertise & broad appetite remain competitive advantages still strongly valued in marketplace

Express CMP

Investment, Learnings & Disciplined Execution



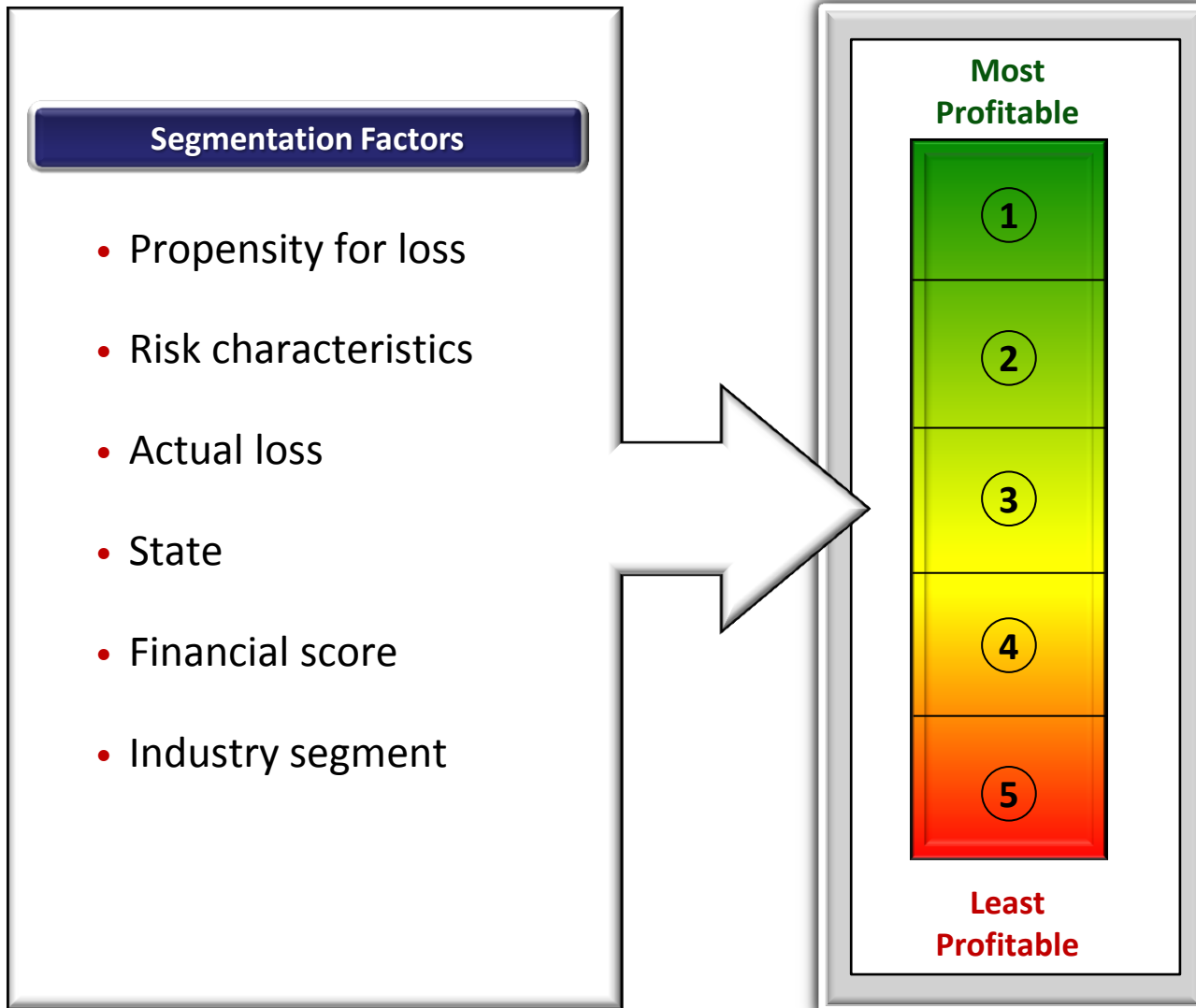
2011 rate & underwriting actions initiated due to:

- New product learnings for Express CMP
- Weather volatility
- Cumulative effect of rate change not covering loss trend
- Historically low interest rates

**Opportunity to grow due to investment
in competitive advantages**

CMP Segmentation

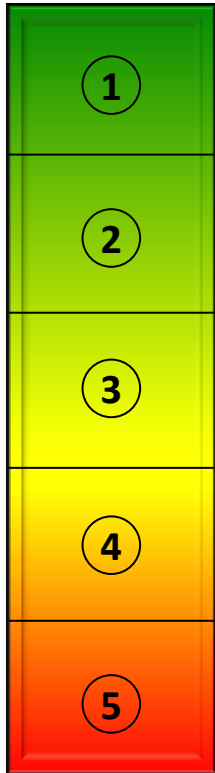
Disciplined Execution Across Express & Plus



CMP Segmentation

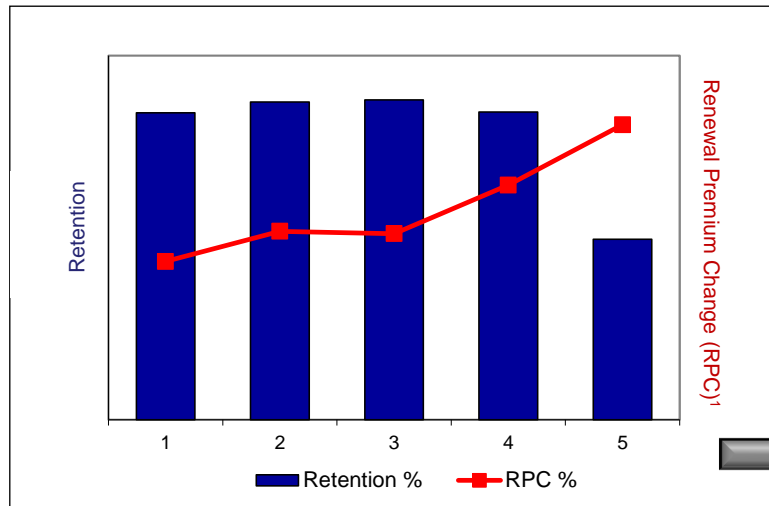
Disciplined Execution Across Express & Plus

Most Profitable

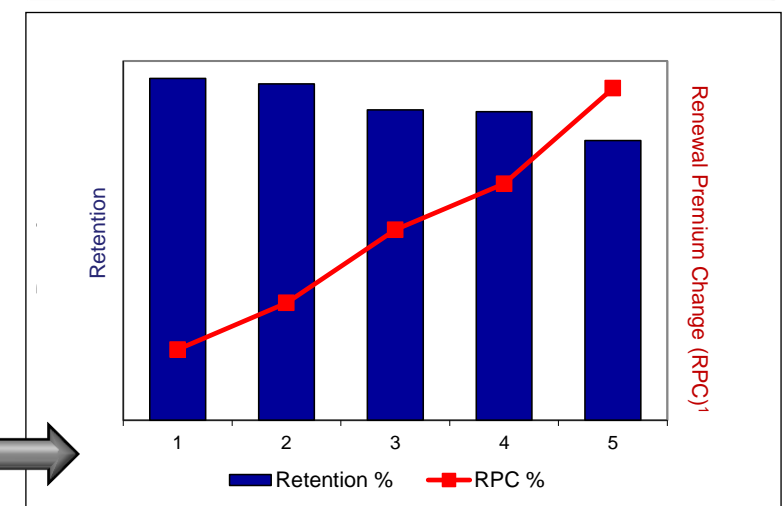


Least Profitable

Fourth Quarter 2011



First Quarter 2014



Retention: ~4 point improvement

Loss ratio: 5+ point improvement

Executed on highly segmented basis...still work to do...approaching target returns

Commercial Multi-Peril (CMP) represents business owner policies in Select Accounts.

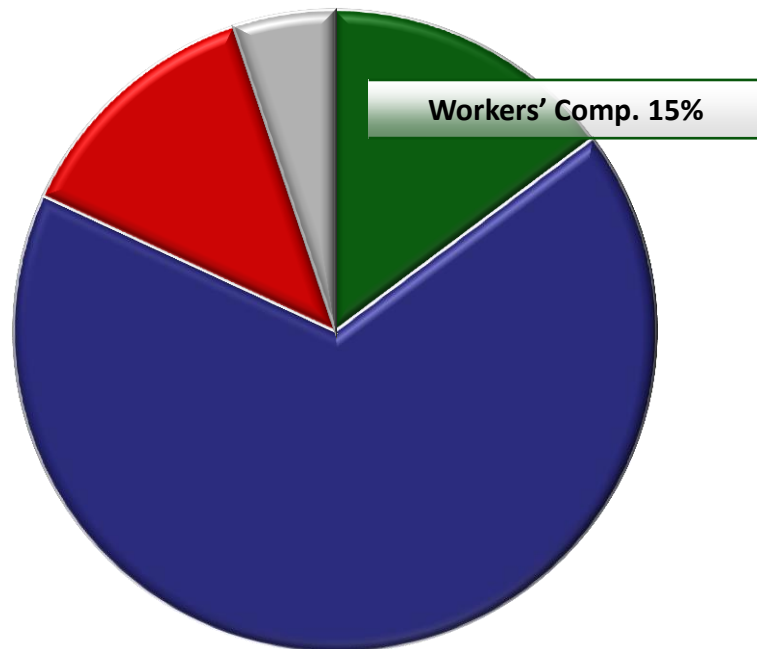
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

Workers' Compensation

Identifying Growth Opportunities in 2006

Premium Mix by Line of Business
2006



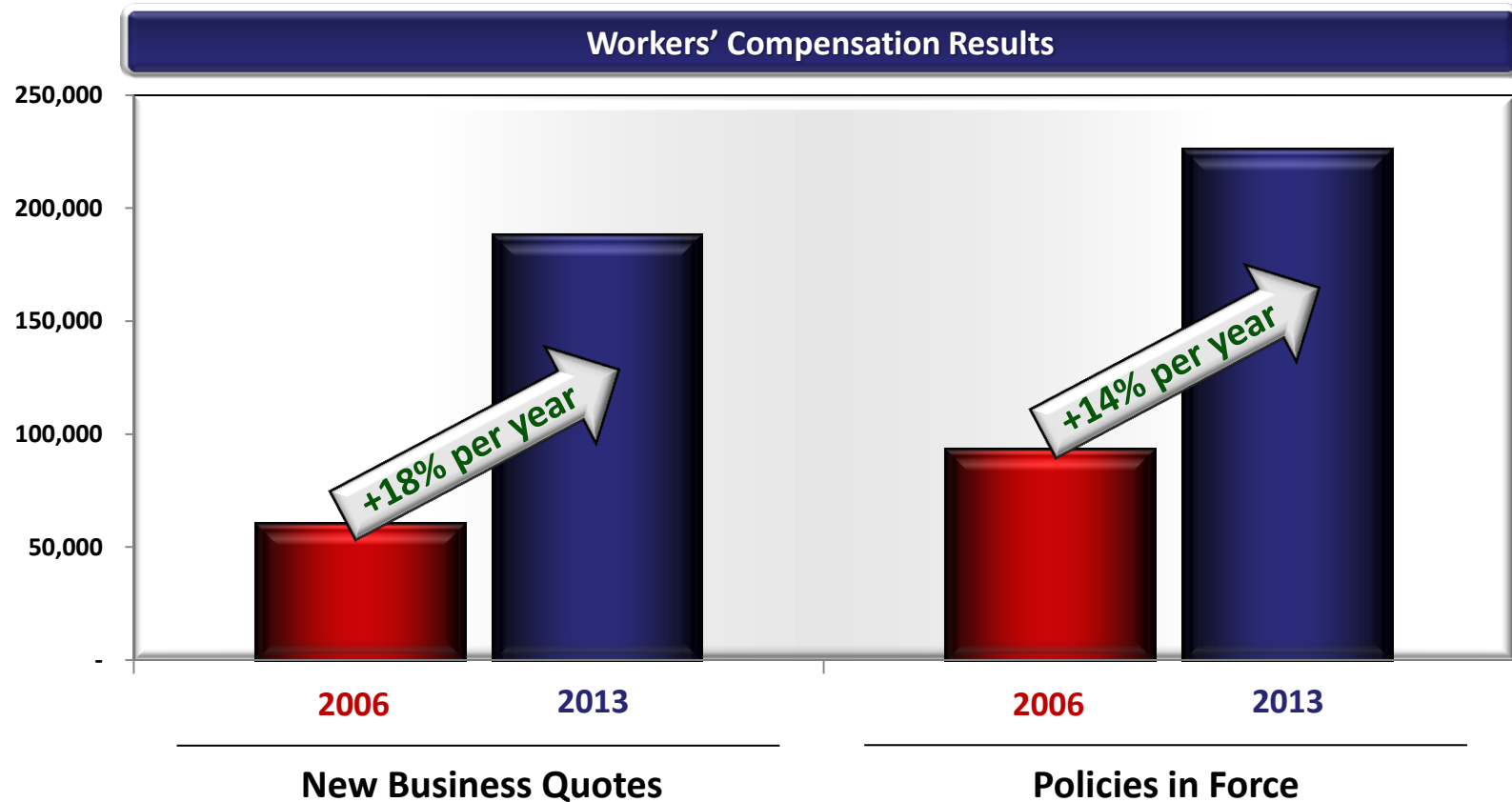
Workers' Compensation Opportunity

- Leveraging competitive advantages
 - Risk selection
 - Enterprise expertise
 - Claim handling
- Attractive returns
- Generally favorable view of state environments

Opportunity to leverage distinct competitive advantages in Workers' Compensation

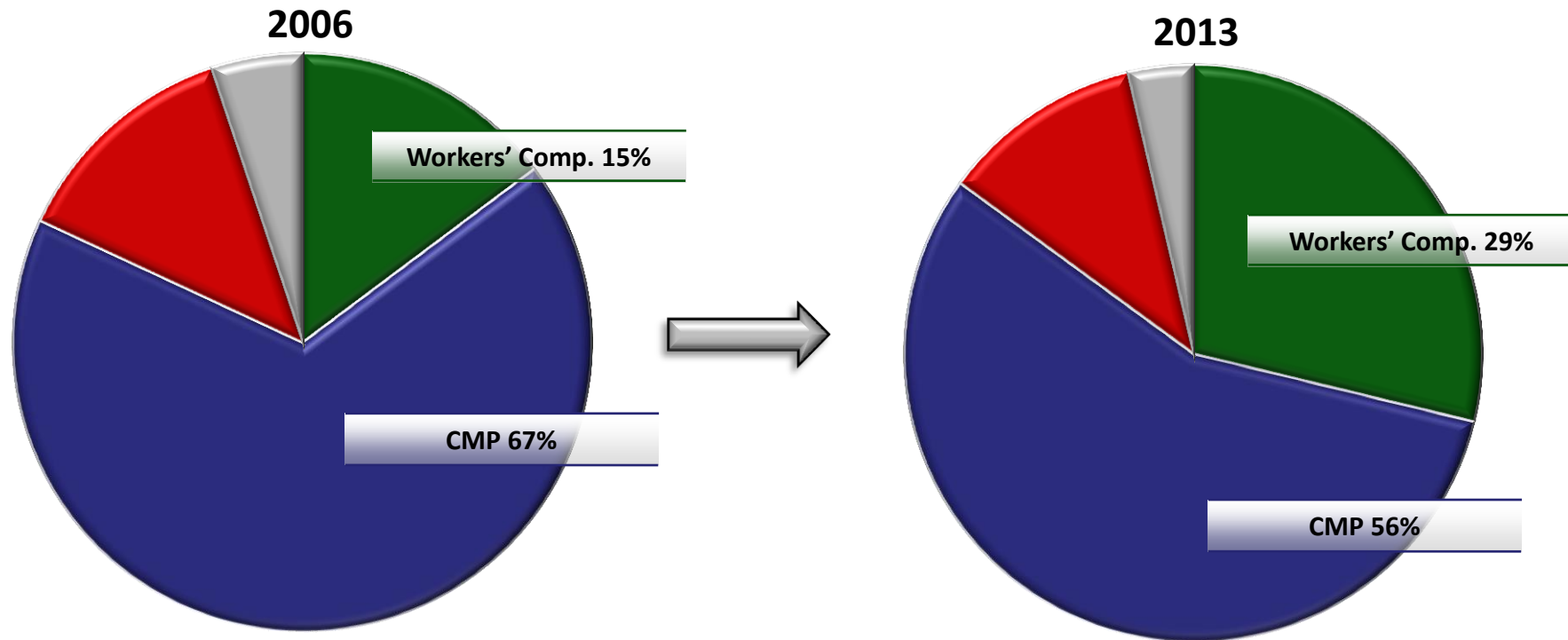
Workers' Compensation

Successful Growth Outcome



Maintained aggregate returns at or above targeted levels

Premium Mix by Line of Business



▶ CMP ▶ Workers' Compensation ▶ Auto ▶ Umbrella

Commercial Multi-Peril (CMP) represents business owner policies in Select Accounts.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

Future Focus in a Changing Landscape

Relentless focus on assisting agent in the small business buying and servicing process

(Prospecting, Selling, Servicing and Streamlined Data exchange)

Products and services

(Technology Segment, TravPay, Employment Practices Liability)

Ease of use technology platform for agent rate-quote-issue

(2nd Gen platform for Umbrella, CMP, Workers' Comp and Auto)

Travelers' positioning and branding with prospects, customers and small business community

(Onboarding, Virtual Risk Control, Self-Service, Weather.com, etc.)

Improving customer and agent experience through investment & innovations for our agents & customers

Small Business Advocacy

SMALL BUSINESS **BIG** OPPORTUNITY

TRAVELERS INSTITUTE | TRAVELERS 

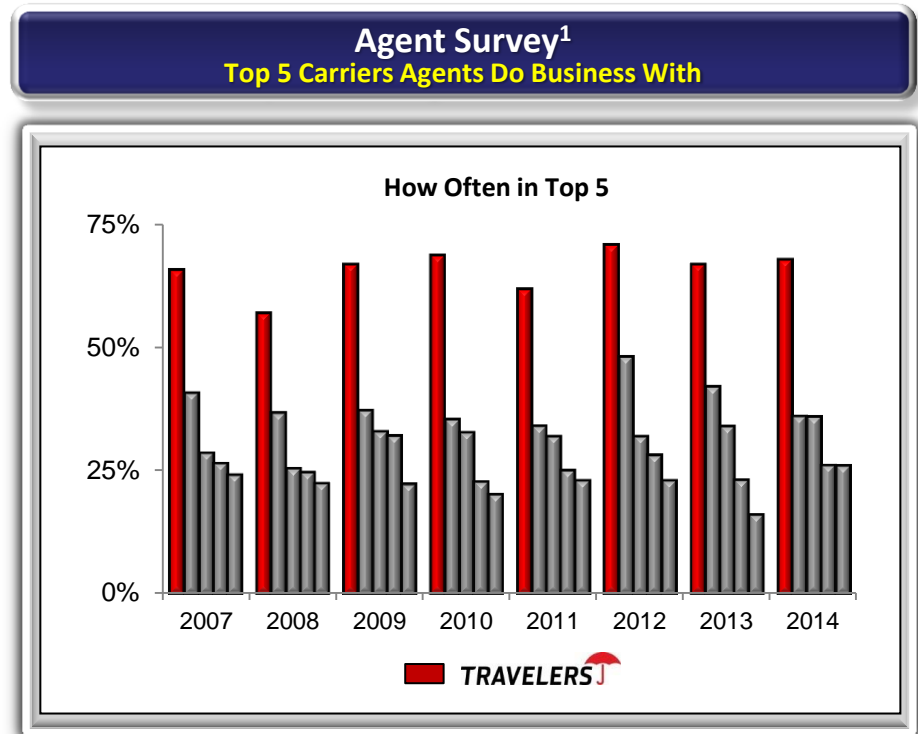
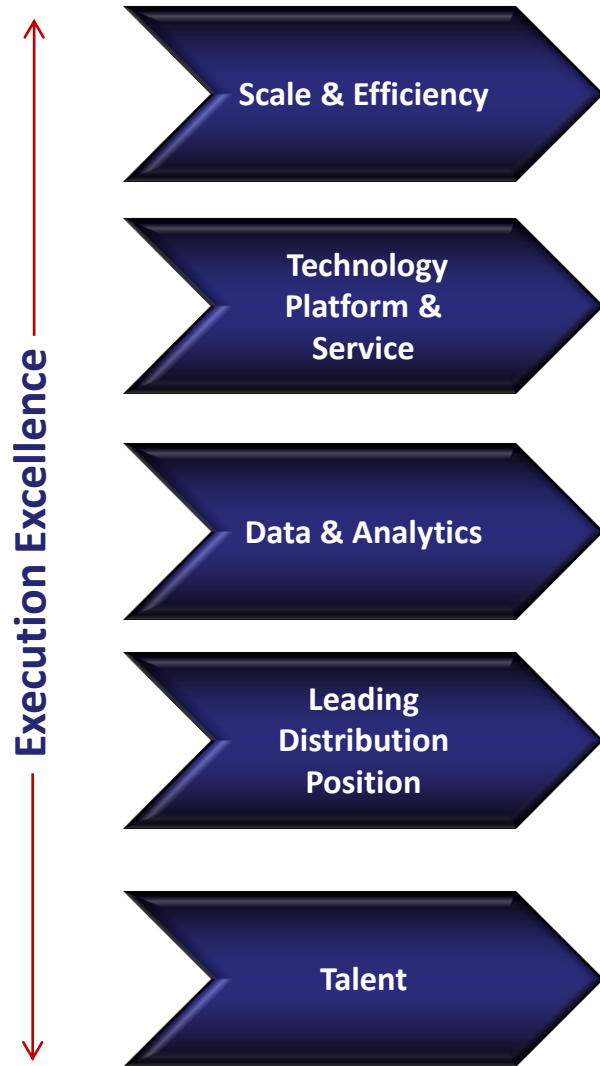
- Thirteen “Small Business - Big Opportunity” Symposia across the country.
- Discuss access to capital, business continuity planning, cyber risks, and regulatory relief.
- Partners include The Kauffman Foundation, Regional Federal Reserve Banks (Dallas, Boston, Pittsburgh) and The New York Stock Exchange.



- Committed to small businesses by supporting American Express' Small Business Saturday®
- Drive sales into locally owned businesses and assist our agents to encourage small business customers to participate.

Travelers stewardship for the small business owner

Select Has Distinct Competitive Advantages



Leading distribution position

Well positioned to continue to invest and execute



The Travelers Companies, Inc.



Greg Toczydlowski

Executive Vice President & President, Personal Insurance

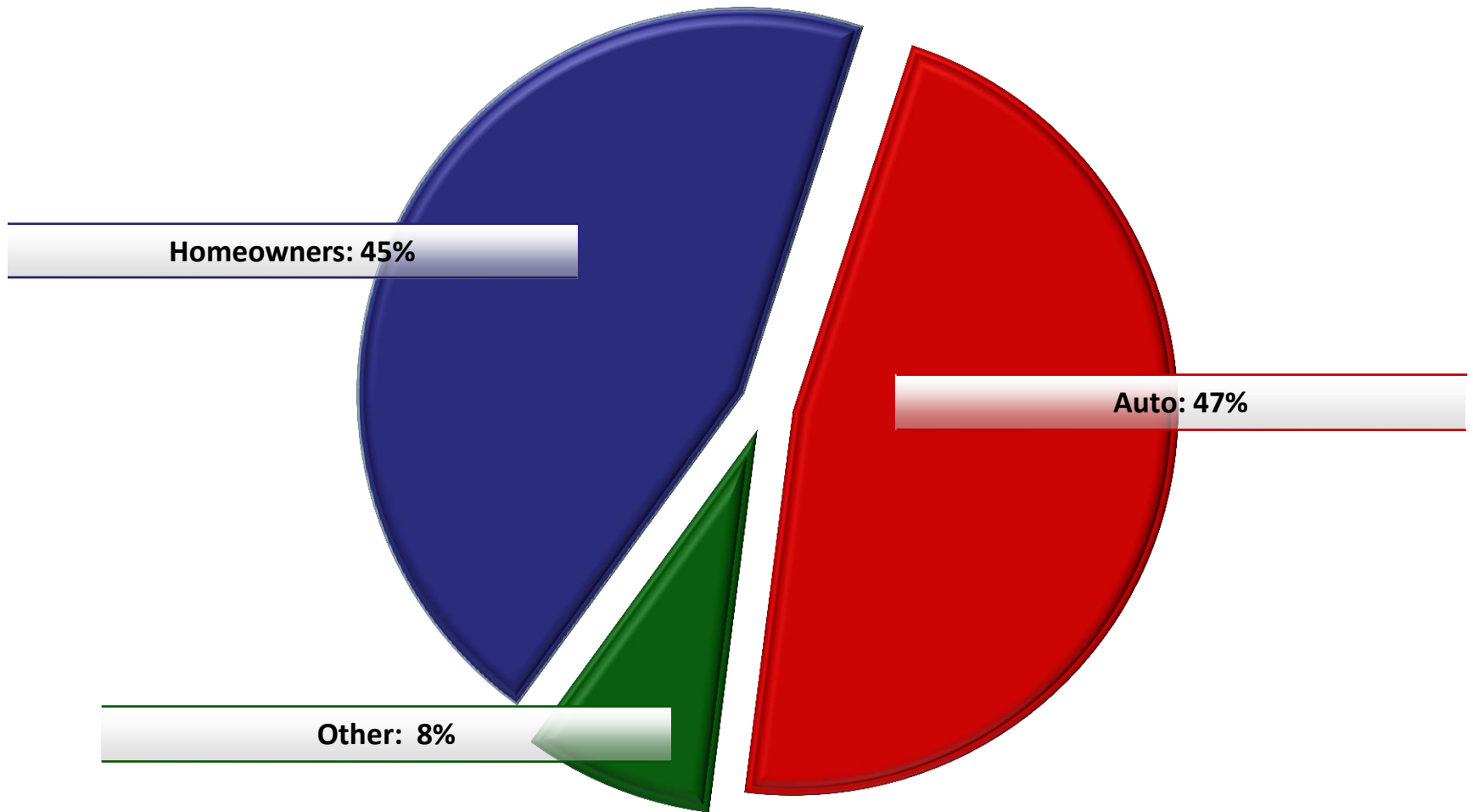
Personal Insurance

Competitive Advantages

- Premier personal lines company in the independent agency channel.
- Premier property writer with industry leading results & leading preferred auto writer.
- Account solution provider: Auto, Homeowners & Other Property with capacity to grow.
- Relentless execution focus on leading edge analytics and emerging consumer digital capabilities.
- Able to benefit from the value and breadth of the overall Travelers franchise.

Personal Insurance

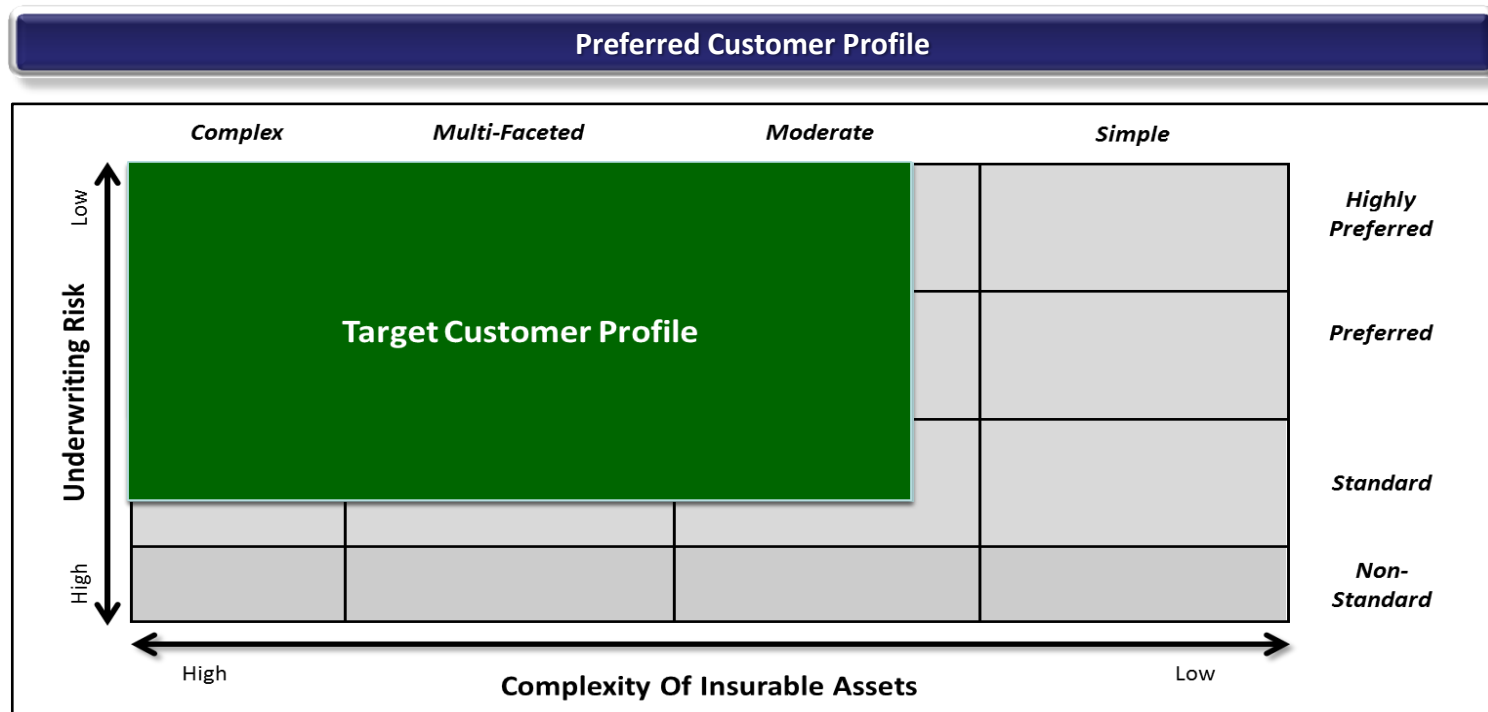
2013 Net Written Premiums: \$7.2 Billion



Second-largest writer of U.S. Auto & Homeowners insurance through independent agents¹

Personal Insurance

Customer Profile

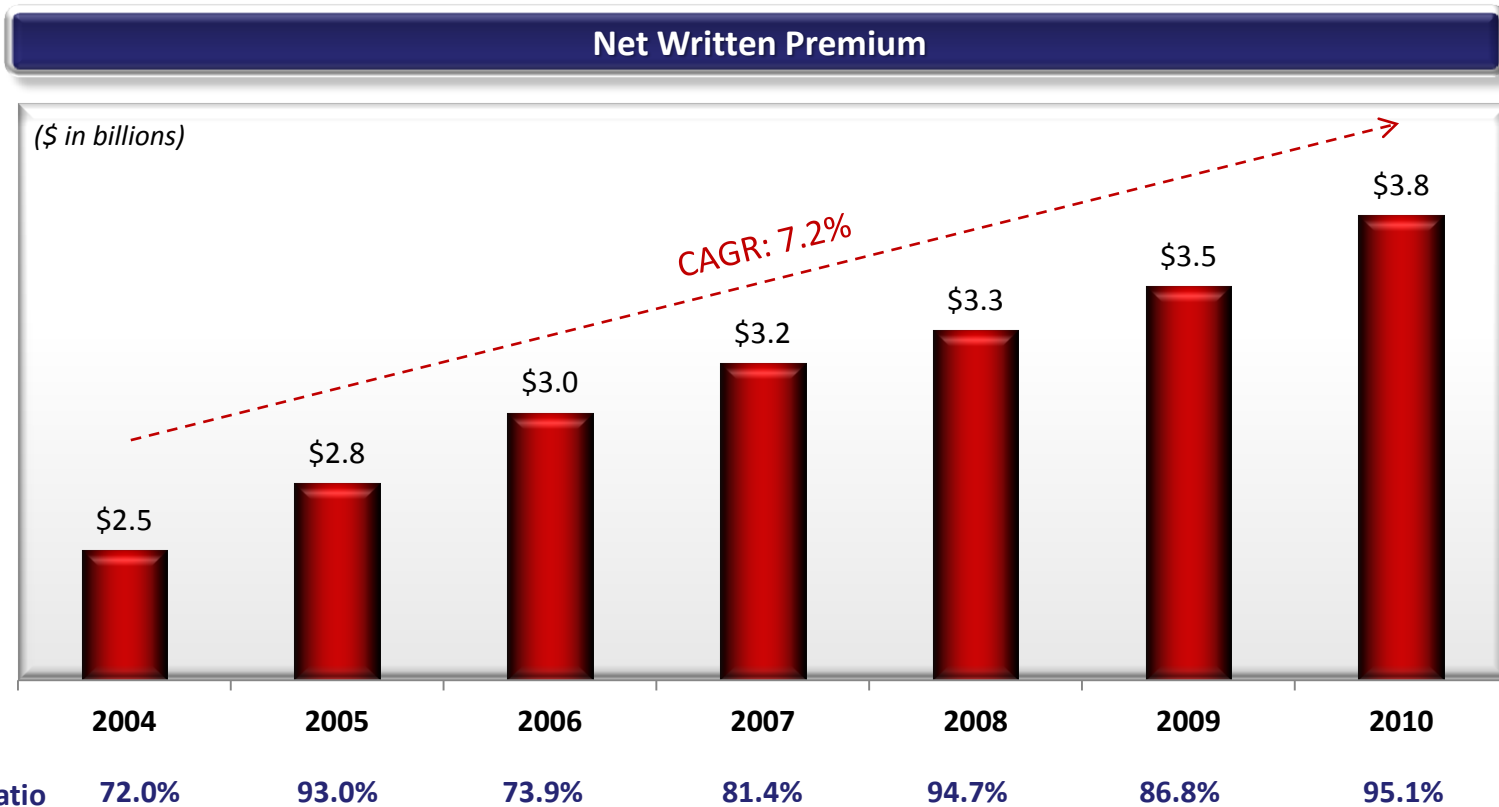


- **Customers need full account solution:** 42% of our customers have more than one product¹.
- **Preferred customer base:** percentage of our 2013 new business customers with:
 - Excellent credit-based insurance score²: auto 66% & homeowners 72%.
 - Full coverage: auto 75%
 - No losses in experience period: auto: 72% & homeowners: 86%

Our preferred customer target drives a balanced portfolio across products

Agency Homeowners & Other

2004 – 2010 Results



2004-2010 average combined ratio - Travelers: 85.3% vs. Industry¹: 99.0%

TRV's profitability outperformed the industry and achieved significant growth

Agency Homeowners & Other

Pricing & Underwriting Actions

In 2010, we recognized a changing environment and took actions to improve profitability

Changes in Environment

- Increased volatility of weather patterns.
- Historically low interest rates.



Key Actions

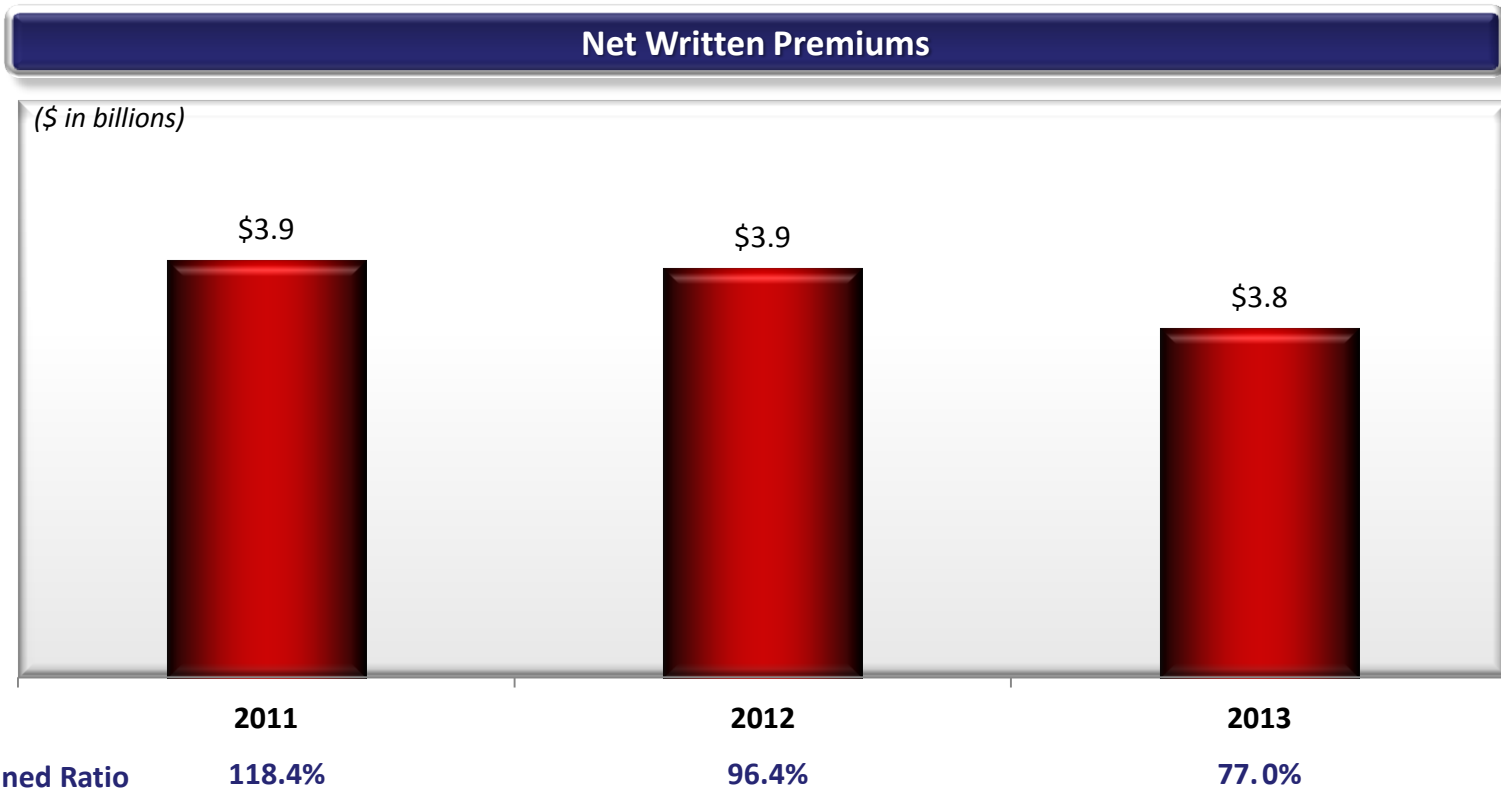
- Renewal premium change¹ increases.
 - 2013: 10.7%
 - 2012: 11.1%
 - 2011: 8.3%
- Terms and conditions changes.
 - Increased minimum deductibles.
 - Capped loss reporting windows.
- Underwriting guideline / segmentation changes.
 - Roof inspections.
 - Age of roof rating.

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

Agency Homeowners & Other

Impact of Pricing & Underwriting Actions

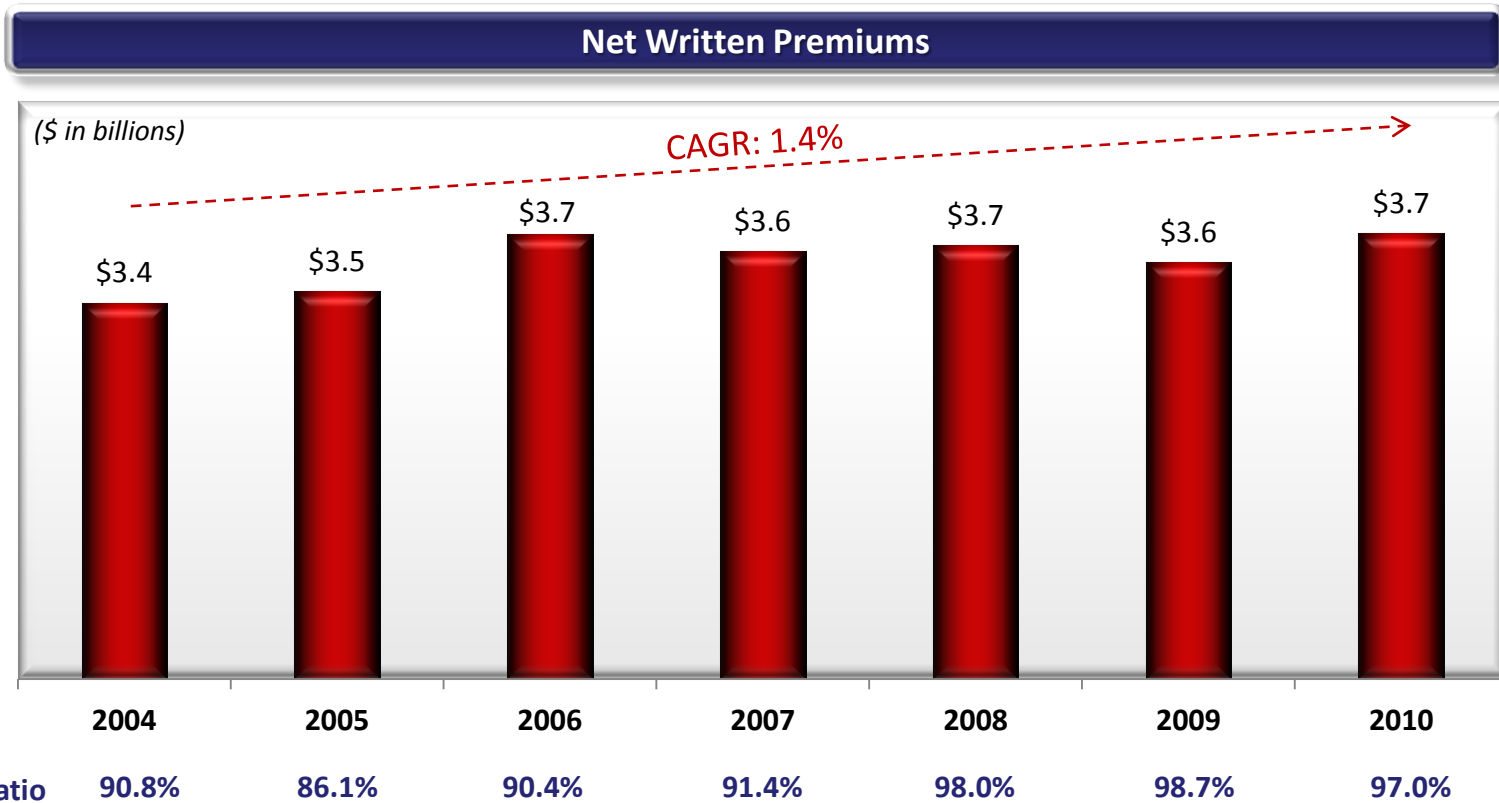


2013 combined ratio - Travelers: 77.0% vs. Industry¹: 83.2%

Actions successfully improved profitability...and we are pleased with overall performance of business

Agency Auto

2004 – 2010 Results



2004-2010 average combined ratio - Travelers: 93.2% vs. Industry¹: 97.4%

TRV's profitability outperformed the industry, but growth was limited by several factors

Agency Auto

Pricing Actions

In 2010, we recognized a changing environment and took actions to improve profitability

Changes in Environment

- Increased bodily injury severity.
- Weather related physical damage pressures.
- Historically low interest rates.



Key Actions

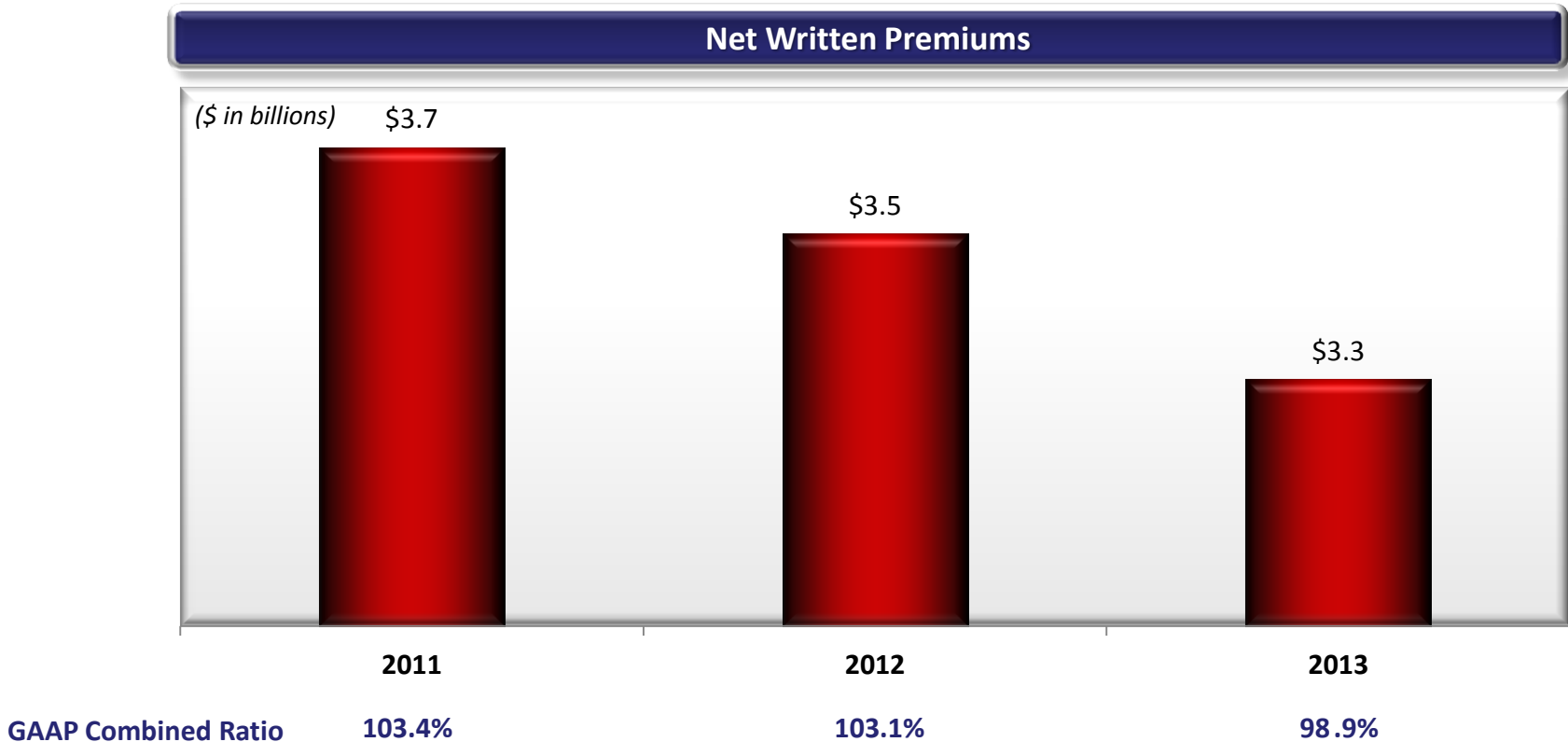
- Renewal premium change¹ increases.
 - 2013: 8.5%
 - 2012: 7.7%
 - 2011: 3.6%

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

Agency Auto

Impact of Pricing & Underwriting Actions



2013 combined ratio¹ - Travelers: 98.9% vs. Industry¹: 102.6%

Actions successfully improved profitability...but the impact on new business production proved not to be a sustainable business strategy

Personal Insurance

Auto Driven Changing Consumer Marketplace

Consumers

- Empowered with information and demonstrated willingness to shop (in 2013, 23% shopping rate within the last 12 months¹).
- Pressured to save money and making decisions based on price across channels without compromising on service.

Carriers

- Unprecedented levels of advertising spend (over \$6B in 2012²) with a core message of price.
- Disparity in cost structures has created underlying competitive advantages.

Independent Agents

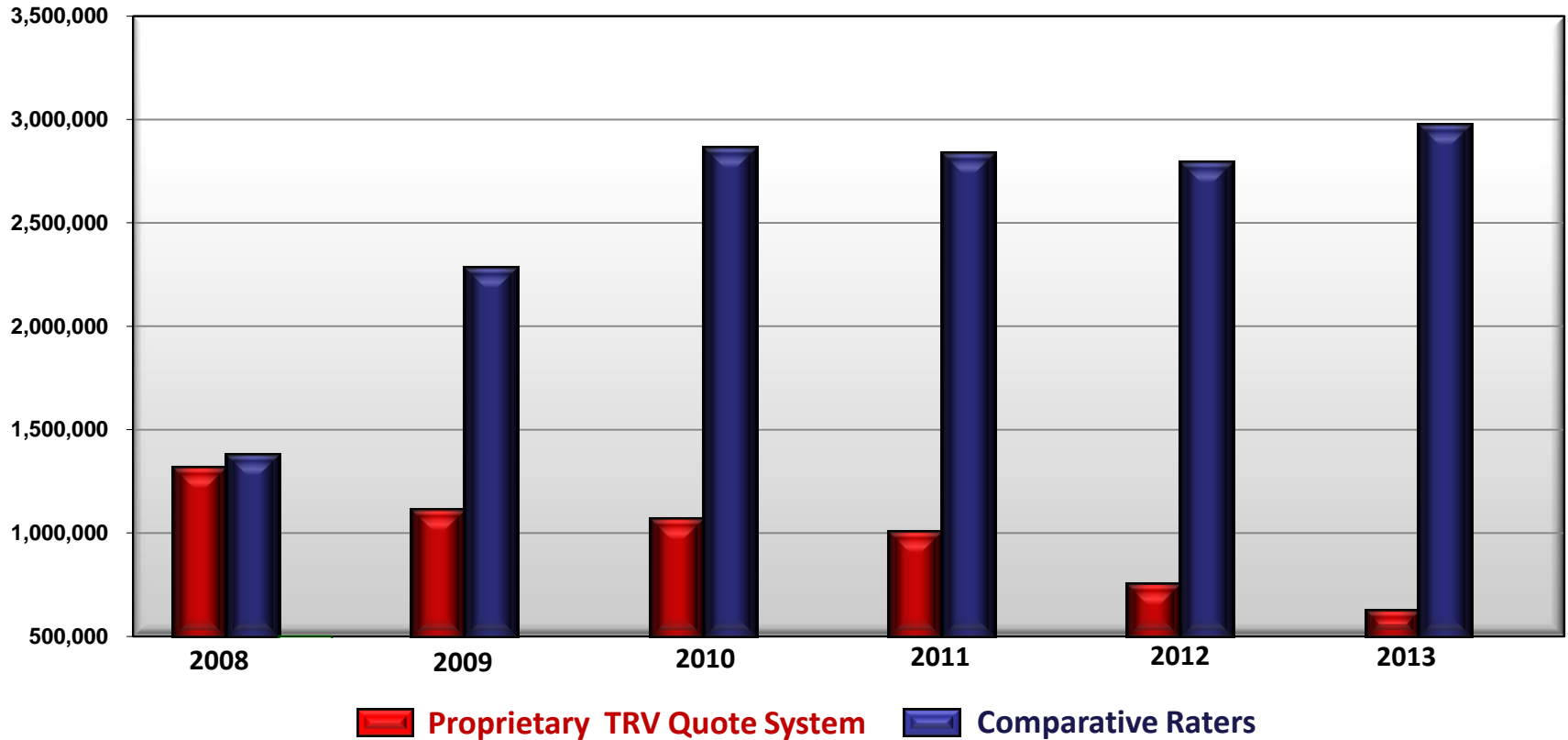
- Challenged to compete with a variety of channels.
- Embracing technology that amplifies consumer pricing sensitivity – Comparative Raters.

The personal insurance marketplace continues to change – increased significance of price in shopping and purchasing transactions

Impact of Comparative Rating Technology

Changing Independent Agency Dynamics

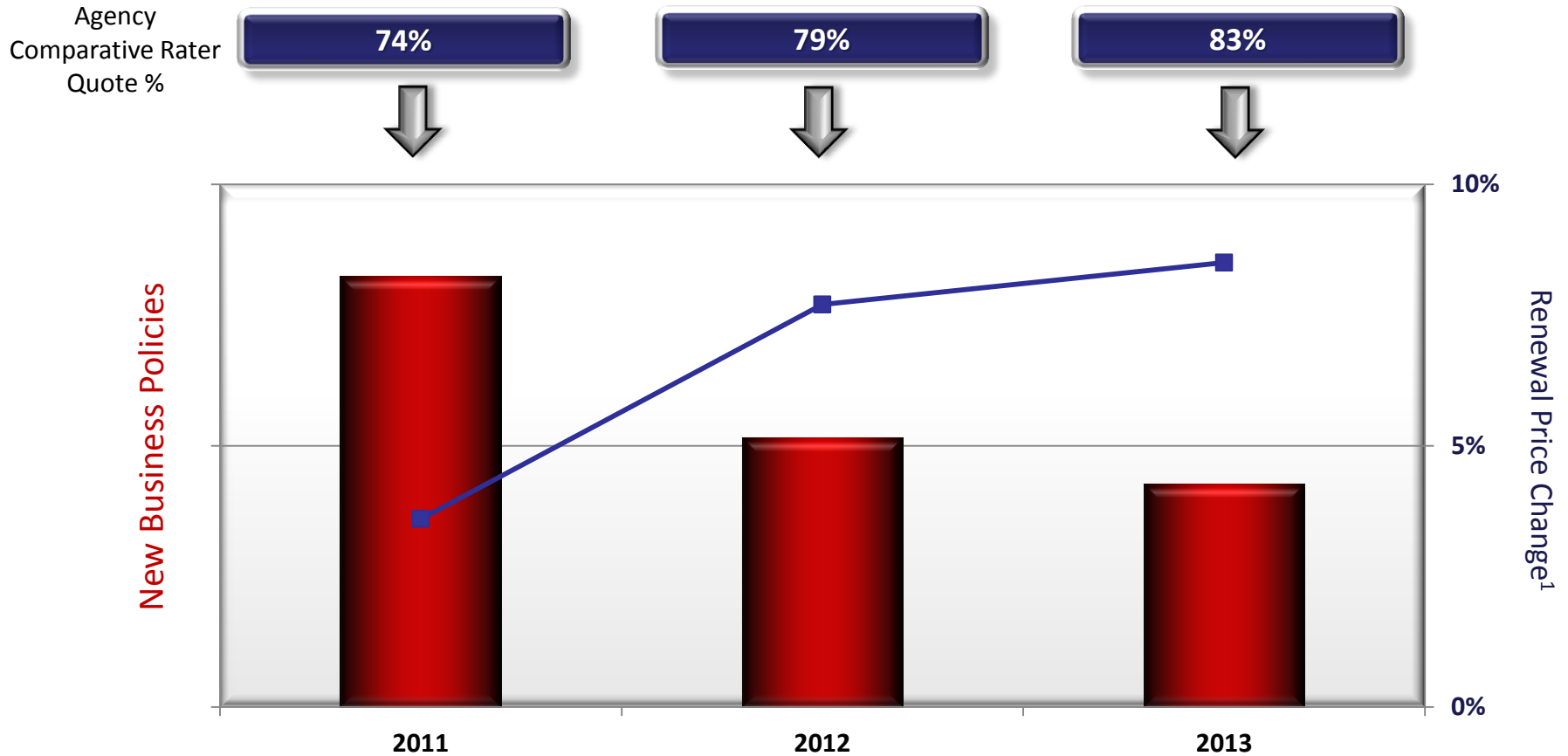
Travelers Independent Agency Auto: Quote Volume



Comparative raters account for greater than 80% of our auto quotes today. Close rates on comparative raters are considerably lower than on our proprietary quote system.

Agency Auto

Impact of Comparative Rater Technology



Agency auto new business production was significantly impacted by the usage of comparative raters and our pricing strategy

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

Quantum Auto 2.0[®]

Market Competitive Product

Redesigned product structure to be responsive to consumer buying patterns

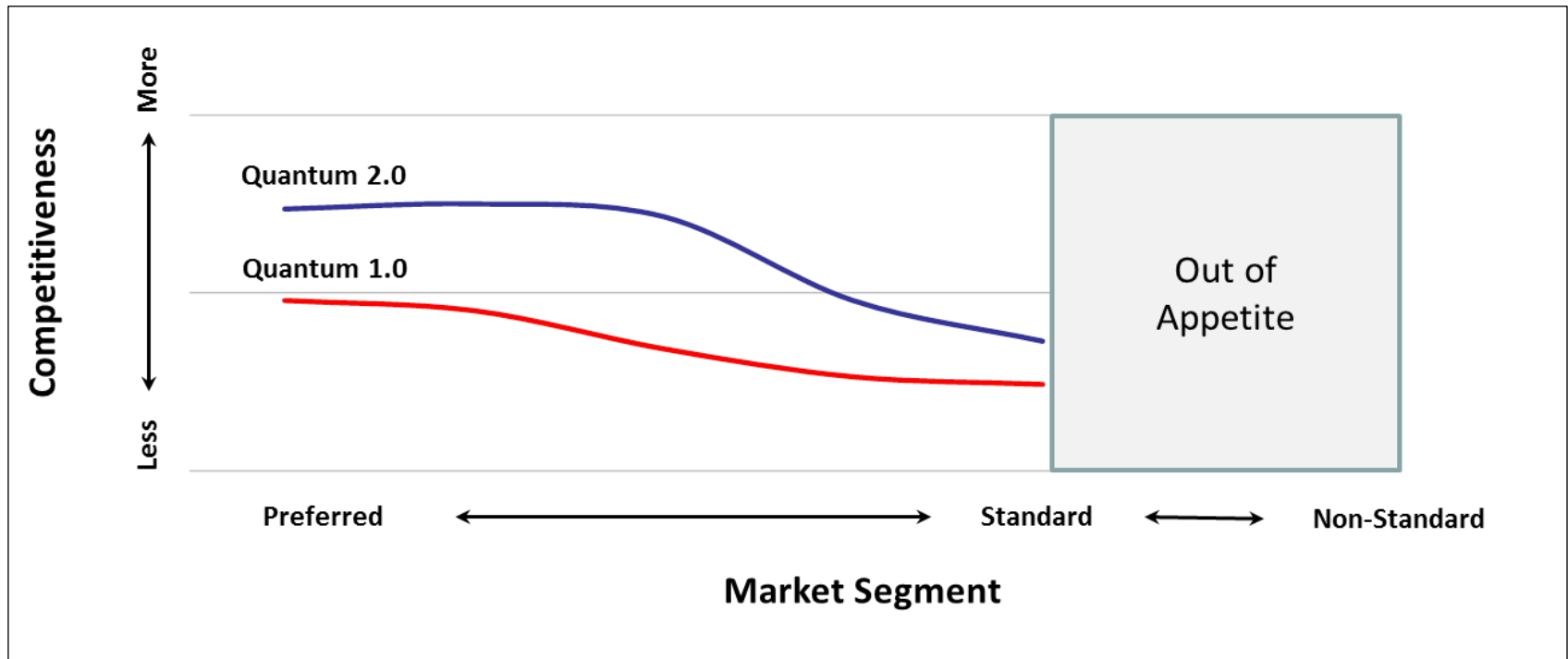
- Incorporates \$140 million in expense reductions.
 - Approximately \$90 million achieved to date; remaining \$50 million planned to be achieved by end of 2014.
 - Savings primarily driven by staff reductions.
- Lowers the base commission rate by approximately 2 points.
- Updates underwriting with 8 years of data and experience from Quantum 1.0.
 - Examples:
 - Waive 4th & 5th year minor violations for drivers who have been incident free for 3 years.
 - Youthful driver leniency for tenured families.
- Offers new / upgraded features and packages creating value beyond price.
 - Examples:
 - Accident forgiveness
 - Loss forgiveness
 - Roadside assistance
 - New car replacement

Uniquely positioned in the independent agency channel across our target market with our segmentation and cost model

Quantum Auto 2.0®

Market Competitive Product

Quantum Auto 2.0® – Competitive Position



Lower expense base plus enhanced pricing segmentation generating increased new business volume while targeting a mid-teens ROE over time

Quantum Auto 2.0[®]

Market Competitive Product

Pre-Rollout vs. Post-Rollout Metric Comparison Results¹

| | | Range |
|---|---|----------------|
| Quoted policies | ✓ | +10% to +15% |
| Close rate change | ✓ | +150% to +200% |
| New business policies issued | ✓ | +165% to +230% |
| Average new business premium per policy | ✓ | 0% to +6% |

- Key profile changes align to target market.
 - More competitive across a broader mix.
 - More multi-car policies.
 - More family accounts.
- Currently rolled out in 28 states & D.C. and will be available in 8 additional states by end of 2014. Represents 85% of our countrywide auto new business production.

Early production results are positive – expectations are being achieved

Homeowners

Industry Leading Position

Significant Competitive Advantages

- **Granular underwriting risk selection**
 - Focused on optimized underwriting of risks utilizing advanced models and individual reviews.
- **Superior pricing segmentation**
 - Industry leading multivariate, by-peril rating methodology.
- **Claim services**
 - Industry leading catastrophe response.

Recent Enhancements

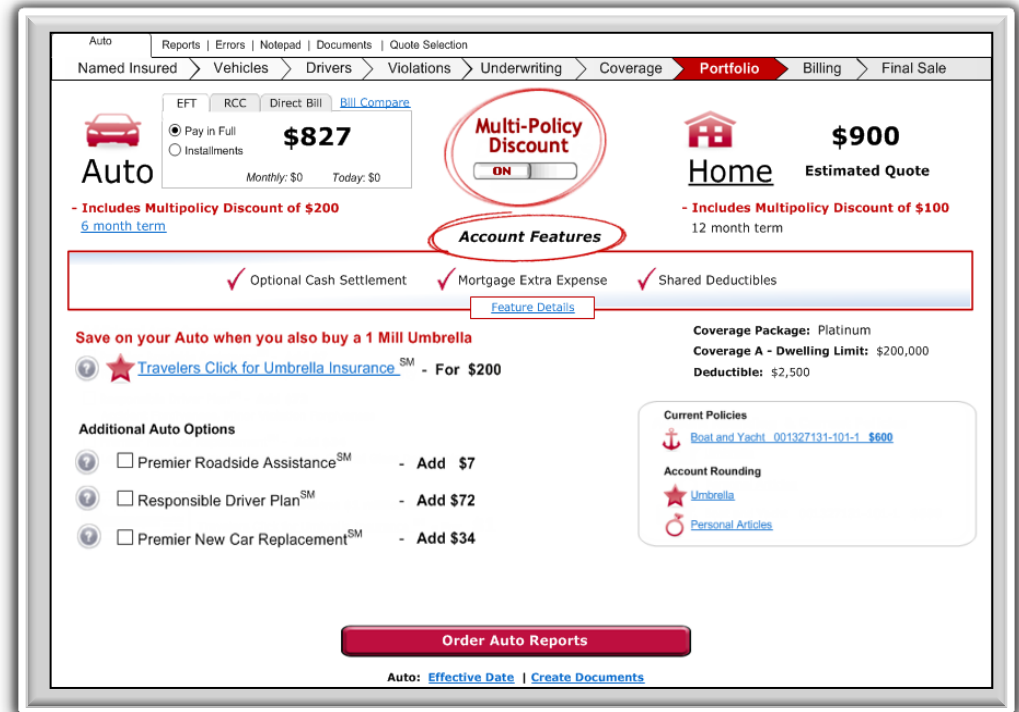
- **Multivariate physical inspection process**
 - Enhanced processes to determine which risks require inspections and what needs to be inspected.
- **Advanced risk modeling**
 - Applying analytics to industry risk models to optimize and blend.
- **New business segmentation**
 - Creation of new business rating advantages for early quote and age of roof.

Continue to build upon industry leading capabilities and results

Personal Insurance

Uniquely Positioned to Provide Full Accounts Solutions to Customers

- Successful cross selling products.
 - 42% of our customers have more than one product¹.
 - Continue to capitalize on homeowners capacity and expertise to address complete consumer account needs.
- Advantages of cross selling products.
 - Improved customer retention.
 - Ease of doing business with a single entity for service, billing and claims.
 - Cross-sell opportunities for additional products.
- Opportunity to leverage success of Quantum Auto 2.0® with an enhanced homeowners product.



- Co-developing solutions with agents for optimized acquisition and fulfillment workflows.

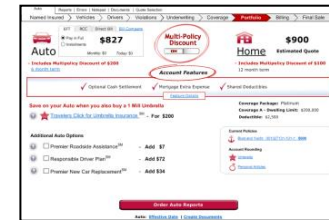
Personal Insurance

Investing in Competitive Advantages

**Auto:
Market Competitive Product**

**Homeowners:
Industry Leading Product**

**Full Account
Solution**



Supporting Capabilities Across Distribution Channels

Agent Technology



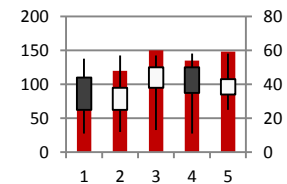
- Industry leading agent technology platform for quote & issue
- Enhanced marketing tools

Consumer Digital



- Mobile app for service, claims and acquisition
- Weather alerts
- Enhanced web experience
- Digital onboarding

Superior Analytics



- Improved direct to consumer targeting through marketing intelligence
- Business intelligence platform

Investments in capabilities positions Travelers well for success with agents and customers



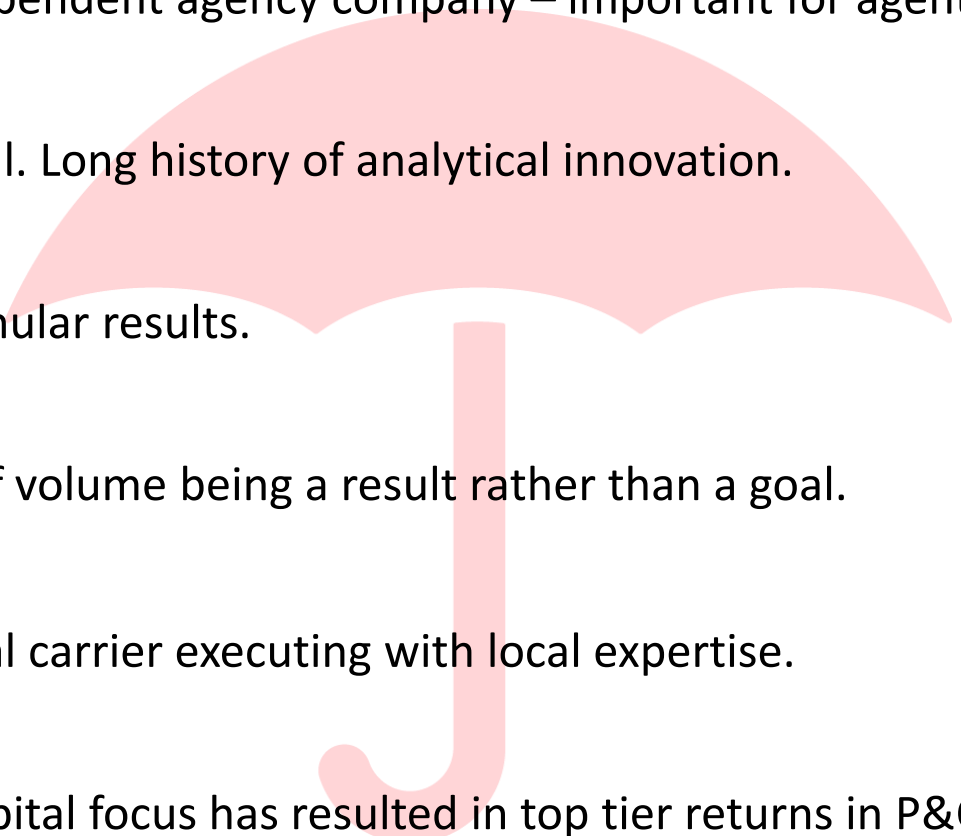
The Travelers Companies, Inc.



Jay Fishman

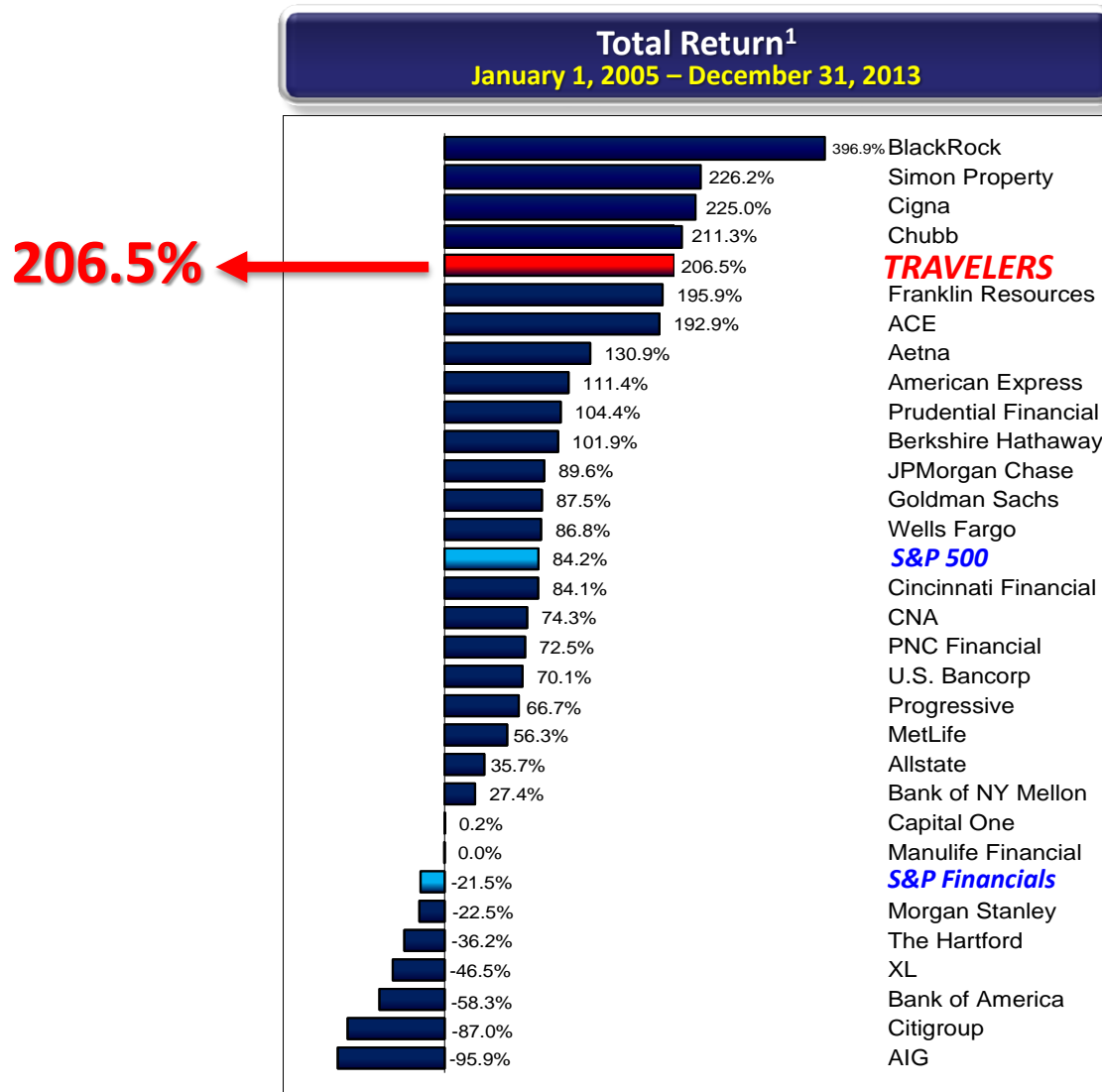
Chairman & Chief Executive Officer

Travelers

- 
- Premier independent agency company – important for agents' success.
 - Analytical skill. Long history of analytical innovation.
 - Focus on granular results.
 - Philosophy of volume being a result rather than a goal.
 - Large national carrier executing with local expertise.
 - Return on capital focus has resulted in top tier returns in P&C industry and financial services industry broadly.

9 Year Total Return Through December 31, 2013

20 Largest S&P Financial Companies & Other Selected Financials



Source: SNL Financial, Bloomberg

(1) Total return is a concept used to compare the performance of a company's stock over time and is the ratio of the net stock price change plus the cumulative amount of dividends over the specified time period, assuming dividend reinvestment, to the stock price at the beginning of the time period. Total return to shareholders is not included as an indication of future performance.

(2) By market capitalization as of December 31, 2013.



The Travelers Companies, Inc.



Annex

Explanatory Note

This presentation contains, and management may make, certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates” and similar expressions are used to identify these forward-looking statements. Examples of our forward-looking statements include statements relating to our future financial condition and operating results, our share repurchase plans, potential margins, potential returns, the sufficiency of our reserves and our strategic initiatives.

We caution investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Company’s control, that could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following:

- Catastrophe losses;
- Financial market disruption or economic downturn;
- Changes to our claims and claim adjustment expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims and related litigation;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition, including the impact of competition on our strategic initiatives and new products;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in insurance operations and investment activities;
- The federal, state and international regulatory environment;
- A downgrade in our claims-paying or financial strength ratings;
- The inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts;
- Disruptions to our relationships with our independent agents and brokers;
- Risks associated with developing new products, including in Personal Insurance, or expanding in targeted markets;
- Other changes in tax laws that adversely impact our investment portfolio or operating results;
- Risks associated with our use of pricing and capital models;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data security and/or outsourcing relationships;
- Risks associated with our business outside of the United States, including regulatory risks;
- Risks associated with acquisitions, and integration of acquired businesses;
- Changes to existing accounting standards;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Company may be unable to protect and enforce its own intellectual property or maybe subject to claims infringing on intellectual property of others;
- Losses of or restrictions placed on the use of credit scoring or other underwriting criteria in the pricing and underwriting of insurance products;
- Factors impacting the operation of our repurchase plans; and
- The company may not achieve the anticipated benefits of its transactions, its new products or its strategic initiatives or complete a transaction that is subject to closing conditions.

For a more detailed discussion of these factors, see the information under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Our forward-looking statements speak only as of the date of this presentation or as of the date they are made, and we undertake no obligation to update those statements.

Description of Reportable Business Segments

Travelers has organized its businesses into the following reportable business segments:

Business Insurance: The Business Insurance segment offers a broad array of property and casualty insurance and insurance-related services to its clients primarily in the United States. Business Insurance is organized into the following six groups, which collectively comprise Business Insurance Core operations: Select Accounts; Commercial Accounts; National Accounts; Industry-Focused Underwriting including Construction, Technology, Public Sector Services, Oil & Gas and Agribusiness; Target Risk Underwriting including National Property, Inland Marine, Ocean Marine, Excess Casualty, Boiler & Machinery and Global Partner Services; and Specialized Distribution including Northland and National Programs. Business Insurance also includes the Special Liability Group (which manages the company's asbestos and environmental liabilities) and the assumed reinsurance and certain other runoff operations, which collectively are referred to as Business Insurance Other.

Financial, Professional & International Insurance: The Financial, Professional & International Insurance segment includes surety and financial liability coverages, which primarily use credit-based underwriting processes, as well as property and casualty products that are primarily marketed on a domestic basis in Canada, the United Kingdom and the Republic of Ireland, and on an international basis as a corporate member of Lloyd's. The segment includes the Bond & Financial Products groups as well as the International group. The International group includes The Dominion of Canada General Insurance Company, which the company acquired in November 2013 and which writes personal lines and small commercial insurance business in Canada. In addition, the company owns 49.5% of the common stock of J. Malucelli Participações em Seguros e Resseguros S.A., its joint venture in Brazil.

Personal Insurance: The Personal Insurance segment writes a broad range of property and casualty insurance covering individuals' personal risks. The primary products of automobile and homeowners insurance are complemented by a broad suite of related coverages.

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

The following measures are used by the company's management to evaluate financial performance against historical results and establish targets on a consolidated basis. In some cases, these measures are considered non-GAAP financial measures under applicable SEC rules because they are not displayed as separate line items in the consolidated financial statements or are not required to be disclosed in the notes to financial statements or, in some cases, include or exclude certain items not ordinarily included or excluded in the most comparable GAAP financial measure. Reconciliations of non-GAAP measures to their most directly comparable GAAP measures also follow.

In the opinion of the company's management, a discussion of these measures provides investors, financial analysts, rating agencies and other financial statement users with a better understanding of the significant factors that comprise the company's periodic results of operations and how management evaluates the company's financial performance. Internally, the company's management uses these measures to evaluate performance against historical results, to establish financial targets on a consolidated basis and for other reasons, which are discussed below.

Some of these measures exclude net realized investment gains (losses), net of tax, and/or net unrealized investment gains (losses), net of tax, which can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends. Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by the company's management.

RECONCILIATION OF OPERATING INCOME AND CERTAIN OTHER NON-GAAP MEASURES TO NET INCOME

Operating income is net income excluding the after-tax impact of net realized investment gains (losses) and discontinued operations. Management uses operating income to analyze each segment's performance and as a tool in making business decisions. Financial statement users also consider operating income when analyzing the results and trends of insurance companies. **Operating earnings per share** is operating income on a per common share basis.

Reconciliation of Operating Income less Preferred Dividends to Net Income

| (\$ in millions, after-tax) | Three Months Ended | Twelve Months Ended December 31, | | | | | | | | |
|--|--------------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | March 31, 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Operating income, less preferred dividends | \$ 1,052 | \$ 3,567 | \$ 2,441 | \$ 1,389 | \$ 3,040 | \$ 3,597 | \$ 3,191 | \$ 4,496 | \$ 4,195 | \$ 2,020 |
| Preferred dividends | - | - | - | 1 | 3 | 3 | 4 | 4 | 5 | 6 |
| Operating income | 1,052 | 3,567 | 2,441 | 1,390 | 3,043 | 3,600 | 3,195 | 4,500 | 4,200 | 2,026 |
| Net realized investment gains (losses) | - | 106 | 32 | 36 | 173 | 22 | (271) | 101 | 8 | 35 |
| Income from continuing operations | 1,052 | 3,673 | 2,473 | 1,426 | 3,216 | 3,622 | 2,924 | 4,601 | 4,208 | 2,061 |
| Discontinued operations | - | - | - | - | - | - | - | - | - | (439) |
| Net income | \$ 1,052 | \$ 3,673 | \$ 2,473 | \$ 1,426 | \$ 3,216 | \$ 3,622 | \$ 2,924 | \$ 4,601 | \$ 4,208 | \$ 1,622 |

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

RECONCILIATION OF ADJUSTED SHAREHOLDERS' EQUITY TO SHAREHOLDERS' EQUITY AND OPERATING RETURN ON EQUITY TO RETURN ON EQUITY

Average shareholders' equity is (a) the sum of total shareholders' equity excluding preferred stock at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two. **Adjusted shareholders' equity** is shareholders' equity excluding net unrealized investment gains (losses), net of tax, net realized investment gains (losses), net of tax, for the period presented, preferred stock and discontinued operations. **Adjusted average shareholders' equity** is average shareholders' equity excluding net unrealized investment gains (losses), net of tax, for all quarters included in the calculation and, for each quarterly period included in the calculation, that quarter's net realized investment gains (losses), net of tax and discontinued operations.

Reconciliation of Adjusted Shareholders' Equity to Shareholders' Equity

| (\$ in millions) | As of March 31, 2014 |
|---|----------------------------|
| Adjusted shareholders' equity | \$ 23,713 |
| Net unrealized investment gains, net of tax | 1,674 |
| Net realized investment gains, net of tax | - |
| Shareholders' equity | \$ 25,387 |

| (\$ in millions) | As of December 31, | | | | | | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Adjusted shareholders' equity | \$ 23,368 | \$ 22,270 | \$ 21,570 | \$ 23,375 | \$ 25,458 | \$ 25,647 | \$ 25,783 | \$ 24,545 | \$ 22,227 | \$ 20,087 |
| Net unrealized investment gains (losses), net of tax | 1,322 | 3,103 | 2,871 | 1,859 | 1,856 | (146) | 620 | 453 | 327 | 866 |
| Net realized investment gains (losses), net of tax | 106 | 32 | 36 | 173 | 22 | (271) | 101 | 8 | 35 | (28) |
| Preferred stock | - | - | - | 68 | 79 | 89 | 112 | 129 | 153 | 188 |
| Discontinued operations | - | - | - | - | - | - | - | - | (439) | 88 |
| Shareholders' equity | \$ 24,796 | \$ 25,405 | \$ 24,477 | \$ 25,475 | \$ 27,415 | \$ 25,319 | \$ 26,616 | \$ 25,135 | \$ 22,303 | \$ 21,201 |

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

Return on equity is the ratio of annualized net income less preferred dividends to average shareholders' equity for the periods presented. **Operating return on equity** is the ratio of annualized operating income less preferred dividends to adjusted average shareholders' equity for the periods presented. In the opinion of the company's management, these are important indicators of how well management creates value for its shareholders through its operating activities and its capital management.

Average annual operating return on equity over a period is the ratio of:

- a) the sum of operating income less preferred dividends for the periods presented to
- b) the sum of:
 - 1) the sum of the adjusted average shareholders' equity for all full years in the period presented, and
 - 2) for partial years in the period presented, the number of quarters in that partial year divided by four, multiplied by the adjusted average shareholders' equity of the partial year.

| (\$ in millions) | Three Months Ended | Twelve Months Ended December 31, | | | | | | | | |
|--|--------------------|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | March 31, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | 2014 | | | | | | | | | |
| Operating income, less preferred dividends | \$ 1,052 | \$ 3,567 | \$ 2,441 | \$ 1,389 | \$ 3,040 | \$ 3,597 | \$ 3,191 | \$ 4,496 | \$ 4,195 | \$ 2,020 |
| Annualized operating income | 4,207 | | | | | | | | | |
| Adjusted average shareholders' equity | 23,594 | 23,004 | 22,158 | 22,806 | 24,285 | 25,777 | 25,668 | 25,350 | 23,381 | 21,118 |
| Operating return on equity | 17.8% | 15.5% | 11.0% | 6.1% | 12.5% | 14.0% | 12.4% | 17.7% | 17.9% | 9.6% |
| Average annual operating return on equity for the period Jan. 1, 2005 through Mar. 31, 2014 | | 13.2% | | | | | | | | |

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

RECONCILIATION OF CERTAIN NON-GAAP MEASURES TO BOOK VALUE PER SHARE AND SHAREHOLDERS' EQUITY

Book value per share is total common shareholders' equity divided by the number of common shares outstanding. **Adjusted book value per share** is total common shareholders' equity excluding the after-tax impact of net unrealized investment gains and losses, divided by the number of common shares outstanding. In the opinion of the company's management, adjusted book value is useful in an analysis of a property casualty company's book value as it removes the effect of changing prices on invested assets (i.e., net unrealized investment gains (losses), net of tax), which do not have an equivalent impact on unpaid claims and claim adjustment expense reserves.

| (\$ in millions) | As of March 31, | | As of December 31, | | | | | | | |
|--|--------------------|-----------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Adjusted shareholders' equity | \$ 23,713 | \$ 23,474 | \$ 22,302 | \$ 21,606 | \$ 23,548 | \$ 25,480 | \$ 25,376 | \$ 25,884 | \$ 24,553 | \$ 21,823 |
| Net unrealized investment gains (losses), net of tax | 1,674 | 1,322 | 3,103 | 2,871 | 1,859 | 1,856 | (146) | 620 | 453 | 327 |
| Common shareholders' equity | \$ 25,387 | \$ 24,796 | \$ 25,405 | \$ 24,477 | \$ 25,407 | \$ 27,336 | \$ 25,230 | \$ 26,504 | \$ 25,006 | \$ 22,150 |
| Common shares outstanding | 347.5 | 353.5 | 377.4 | 392.8 | 434.6 | 520.3 | 585.1 | 627.8 | 678.3 | 693.4 |
| Adjusted book value per share | \$ 68.25 | \$ 66.41 | \$ 59.09 | \$ 55.01 | \$ 54.18 | \$ 48.98 | \$ 43.37 | \$ 41.25 | \$ 36.21 | \$ 31.47 |
| Book value per share | \$ 73.06 | \$ 70.15 | \$ 67.31 | \$ 62.32 | \$ 58.47 | \$ 52.54 | \$ 43.12 | \$ 42.22 | \$ 36.86 | \$ 31.94 |

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

OTHER DEFINITIONS

Underwriting gain is net earned premiums and fee income less claims and claim adjustment expenses and insurance-related expenses. In the opinion of the company's management, it is important to measure the profitability of each segment excluding the results of investing activities, which are managed separately from the insurance business. This measure is used to assess each segment's business performance and as a tool in making business decisions. **Pre-tax underwriting gain, excluding the impact of catastrophes and net favorable prior year loss reserve development**, is the underwriting gain adjusted to exclude claims and claim adjustment expenses, reinstatement premiums and assessments related to catastrophes and loss reserve development related to time periods prior to the current year. In the opinion of the company's management, this measure is meaningful to users of the financial statements to understand the company's periodic earnings and the variability of earnings caused by the unpredictable nature (i.e., the timing and amount) of catastrophes and loss reserve development. This measure is also referred to as **underlying underwriting margin** or **underlying underwriting gain**.

A **catastrophe** is a severe loss, resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism and other similar events. Each catastrophe has unique characteristics, and catastrophes are not predictable as to timing or amount. Their effects are included in net and operating income and claims and claim adjustment expense reserves upon occurrence. A catastrophe may result in the payment of reinsurance reinstatement premiums and assessments from various pools. In the opinion of the company's management, a discussion of the impact of catastrophes is meaningful to users of the financial statements to understand the company's periodic earnings and the variability in periodic earnings caused by the unpredictable nature of catastrophes.

Net favorable (unfavorable) prior year loss reserve development is the increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims, which may be related to one or more prior years. In the opinion of the company's management, a discussion of loss reserve development is meaningful to users of the financial statements as it allows them to assess the impact between prior and current year development on incurred claims and claim adjustment expenses, net and operating income (loss), and changes in claims and claim adjustment expense reserve levels from period to period.

Glossary of Financial Measures and Reconciliations of Non-GAAP Measures to GAAP Measures

OTHER DEFINITIONS CONTINUED

Combined ratio (SAP and GAAP) For SAP, it is the sum of the SAP loss and LAE ratio and the SAP underwriting expense ratio as defined in the statutory financial statements required by insurance regulators. The GAAP combined ratio is the equivalent of, and is calculated in the same manner as, the SAP combined ratio except that the SAP underwriting expense ratio is based on net written premium and the GAAP underwriting expense ratio is based on net earned premiums. The loss and LAE ratio for SAP is the ratio of incurred losses and loss adjustment expenses less certain administrative services fee income to net earned premiums as defined in the statutory financial statements required by insurance regulators. The GAAP ratio is calculated in the same manner as the SAP ratio. The underwriting expense ratio for SAP is the ratio of underwriting expenses incurred (including commissions paid), less certain administrative services fee income and billing and policy fees, to net written premiums as defined in the statutory financial statements required by insurance regulators. For GAAP, it is the ratio of underwriting expenses (including the amortization of deferred acquisition costs), less certain administrative services fee income and billing and policy fees, to net earned premiums.

The GAAP combined ratio, GAAP loss and LAE ratio, and GAAP underwriting expense ratio are used as indicators of the company's underwriting discipline, efficiency in acquiring and servicing its business and overall underwriting profitability. A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

Underlying GAAP combined ratio represents the GAAP combined ratio excluding the impact of net prior year reserve development and catastrophes. In the opinion of the company's management, this measure is meaningful to users of the financial statements to understand the company's periodic underwriting profitability and the variability of underwriting profitability caused by the unpredictable nature of catastrophes and loss reserve development.

Gross written premiums reflect the direct and assumed contractually determined amounts charged to policyholders for the effective period of the contract based on the terms and conditions of the insurance contract. **Net written premiums** reflect gross written premiums less premiums ceded to reinsurers. These are GAAP measures.

For the Business Insurance and Financial, Professional and International Insurance segments, **retention** is the amount of premium available for renewal that was retained, excluding rate and exposure changes. For the Personal Insurance segment, retention is the ratio of the expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies. For all of the segments, **renewal rate change** represents the estimated change in average premium on policies that renew, excluding exposure changes. Exposure is the measure of risk used in the pricing of an insurance product. The change in exposure is the amount of change in premium on policies that renew attributable to the change in portfolio risk. **Renewal premium change** represents the estimated change in average premium on policies that renew, including rate and exposure changes. **New business volume** is the amount of written premium related to new policyholders and additional products sold to existing policyholders. These are operating statistics, which are subject to change based upon a number of factors, including changes in actuarial estimates. For the Business Insurance segment, retention, renewal premium change and new business volumes exclude National Accounts and Business Insurance-Other.

Disclosure

In this presentation or in the discussion that follows, we may refer to some non-GAAP financial measures. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the Annex of this presentation and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC). See the “For Investors” section at Travelers.com.

For further information, please see Travelers reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC’s website (www.sec.gov).

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