



Jay S. Benet
Vice Chairman and Chief Financial Officer
KPMG Insurance Industry Conference
September 12, 2007

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. Specifically, earnings guidance and statements about our share repurchase plans are forward looking, and we may make forward-looking statements about our results of operations (including, among others, premium volume, income from continuing operations, net and operating income, investment income, return on equity and combined ratio), financial condition (including, among others, invested assets and liquidity); and the sufficiency of our asbestos and other reserves (including, among others, asbestos claim payment patterns); the cost and availability of reinsurance coverage; catastrophe losses; and strategic initiatives. Such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some of the factors that could cause actual results to differ include, but are not limited to, the following: catastrophe losses could materially reduce our profitability and adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance; if actual claims exceed our loss reserves, or if changes in the estimated level of loss reserves are necessary, our financial results could be significantly and adversely affected; our business could be harmed because of our potential exposure to asbestos and environmental claims and related litigation; we are exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances; the effects of emerging claim and coverage issues on our business are uncertain; reinsurance may be unavailable on acceptable terms, and we may be unable to collect reinsurance; the insurance industry is the subject of a number of investigations by state and federal authorities in the United States, and we cannot predict the outcome of these investigations or their impact on our business or financial results; our businesses are heavily regulated and changes in regulation may reduce our profitability and limit our growth; a downgrade in our claims-paying and financial strength ratings could significantly reduce our business volumes, adversely impact our ability to access the capital markets and increase our borrowing costs; our investment portfolio may suffer reduced returns or losses which could reduce our profitability; the intense competition that we face could harm our ability to maintain or increase our profitability and premium volume; the inability of our insurance subsidiaries to pay dividends to us in sufficient amounts would harm our ability to meet our obligations and to pay future dividends; assessments and other surcharges for guaranty funds, second-injury funds, catastrophe funds and other mandatory pooling arrangements may reduce our profitability; loss or significant restriction of the use of credit scoring in the pricing and underwriting of Personal Insurance products could reduce our future profitability; disruptions to our relationships with our distributors, independent agents and brokers could adversely affect us; and if we experience difficulties with outsourcing relationships, technology and/or data security, our ability to conduct our business might be negatively impacted.

Our forward-looking statements speak only as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the caption "Risk Factors" in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

In this presentation, we may refer to some non-GAAP financial measures, including, among others, operating income, operating income excluding catastrophes, operating return on equity, underwriting gain (loss), GAAP combined ratio excluding catastrophes and prior year development and adjusted and tangible book value per common share. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the press release and financial supplement that we have made available with our quarterly earnings release which is available on the Travelers website under the investor section (www.travelers.com).

Travelers Today

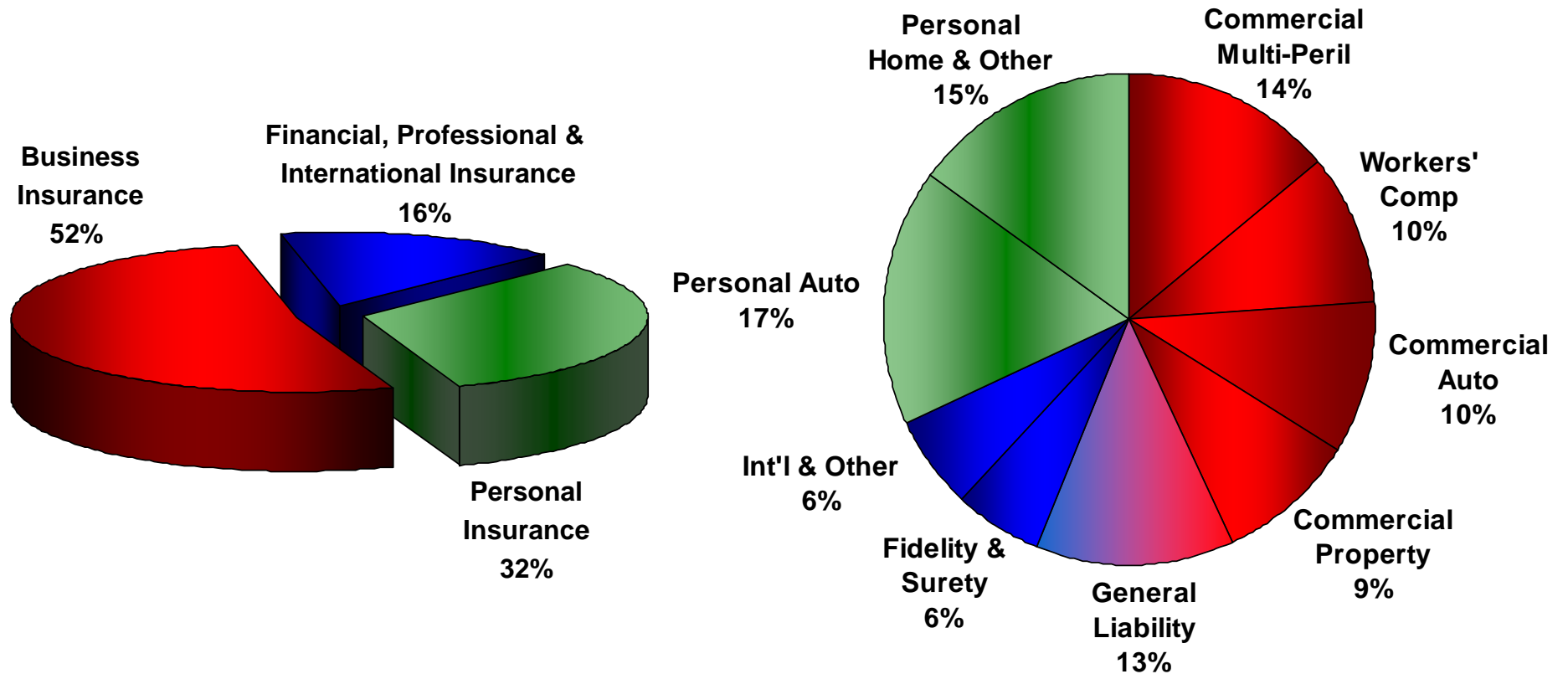
- **Formed April 1, 2004 upon merger of Travelers Property Casualty Corp. and The St. Paul Companies, Inc.**
- **Fourth largest U.S. property casualty insurer based on direct written premiums**
- **Business in United States, United Kingdom, Republic of Ireland, and Canada**
- **Three business segments**
 - ❑ **Business Insurance**
 - ❑ **Financial, Professional & International Insurance**
 - ❑ **Personal Insurance**
- **Distribution through independent agents and brokers**
- **Approximately 33,000 employees**
- **Financially strong and highly profitable**
 - ❑ **Total assets of \$115 billion as of June 30, 2007**
 - ❑ **Shareholder's equity of \$25 billion as of June 30, 2007**
 - ❑ **Revenues of \$25 billion in 2006**
 - ❑ **Net income of \$4.2 billion in 2006**

Geographic Footprint

Travelers offers a broad mix of personal and business insurance products in the United States, while focusing almost exclusively on specialized business coverages in the remainder of its geographic footprint.

	<u>Approximate Market Share</u>
➤ United States <ul style="list-style-type: none">❑ Over \$20 billion of premium volume.❑ 66% commercial lines / 34% personal lines.	4.5%
➤ Canada <ul style="list-style-type: none">❑ Majority of premium in specialized risks although penetration in broader business insurance markets is increasing.	} <1%
➤ UK & Ireland <ul style="list-style-type: none">❑ Focus on specialized business coverages, including technology, public services and financial and professional services.	
➤ Lloyd's <ul style="list-style-type: none">❑ Principal lines of business: accident and special risks, aviation, marine and global property.	

Diversity of Customer and Product



Note: Percentages based on trailing 12 months NWP of \$21.6 billion through 2Q 2007

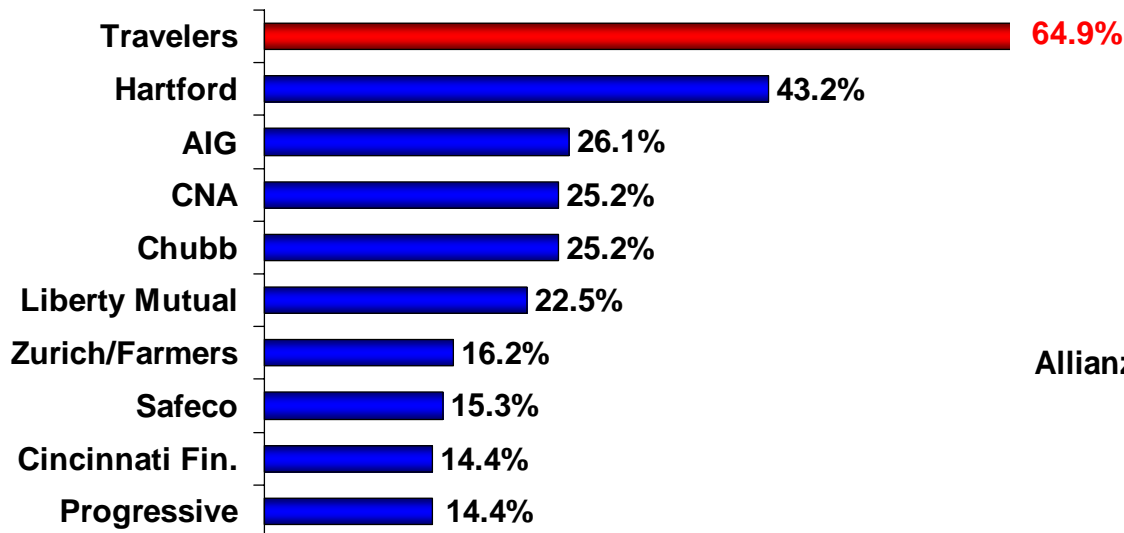
Travelers Market Shares

Total Industry		Commercial		Personal	
State Farm	9.9 %	AIG	11.3 %	State Farm	19.1 %
AIG	7.2	Travelers	6.1	Allstate	11.3
Allstate	5.7	Zurich	4.8	Farmers	5.5
Travelers	4.5	Liberty Mutual	4.6	Progressive	5.4
Liberty Mutual	3.7	CNA	3.1	Berkshire Hathaway	4.9
Nationwide	3.3	Hartford	3.0	Nationwide	4.6
Berkshire Hathaway	3.1	Chubb	2.9	USAA Group	3.7
Farmers	3.1	ACE	2.9	Liberty Mutual	2.7
Progressive	2.9	Nationwide	2.1	Travelers	2.7
Zurich	2.6	State Farm	2.0	AIG	2.5

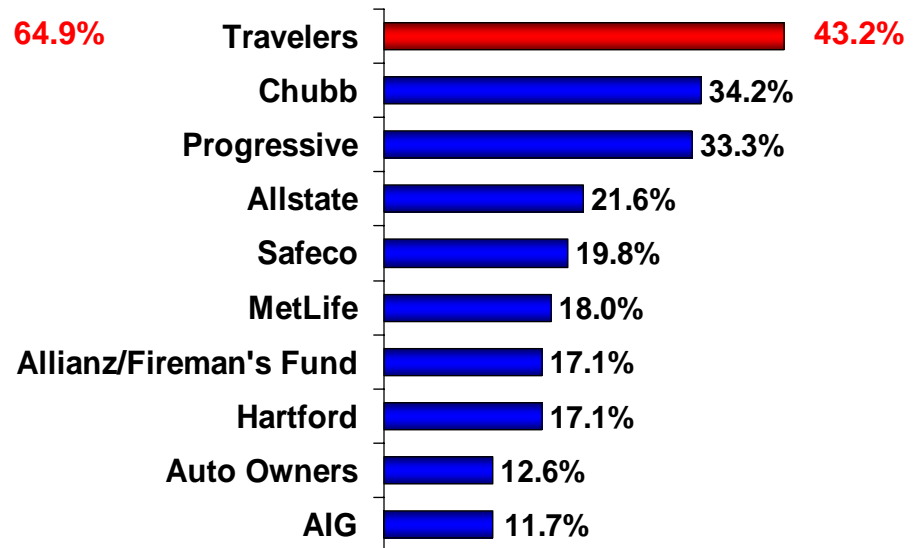
Source: One Source. Based on 2006 direct premium written. Excludes Other Accident & Health.

Strong Relationship with Independent Agents

Commercial Lines Agency Preference Survey



Personal Lines Agency Preference Survey



Source: Goldman Sachs Agency Preference Survey, August 15, 2007. Represents percentage of total agents responding to survey who indicated that a given company is among the agent's top five markets.

Fortune 100 Ranking - Revenue

(\$ in billions)

<u>Rank</u>	<u>Company</u>	<u>2006 Revenues</u>
77	Cisco Systems	\$ 28.5
79	American Express	27.1
82	Hartford Financial Services	26.5
85	Aetna	25.6
89	Travelers	25.1
92	General Dynamics	24.2
94	Coca-Cola	24.1
97	3M	22.9
100	Haliburton	22.6

Source: Fortune 500 Survey, April 30, 2007 issue.

Fortune 100 Ranking – Net Income

(\$ in billions)

<u>Rank</u>	<u>Company</u>	<u>2006 Net Income</u>
27	Home Depot	\$ 5.8
29	Cisco Systems	5.6
33	Coca-Cola	5.1
35	Allstate	5.0
37	Travelers	4.2
41	3M	3.9
44	American Express	3.7
49	Walt Disney	3.4
54	Hartford Financial Services	2.7

Source: Fortune 500 Survey, April 30, 2007 issue.

KPMG Request: “What’s on the Mind of a CFO”?

- **Travelers and the capital markets**
 - ❑ **Strong liquidity and capital position**
 - ❑ **High quality investment portfolio**
 - ❑ **Limited exposure to credit risk**
 - ❑ **Minimal financing needs currently projected**

- **Profitability**
 - ❑ **Underwriting discipline**
 - ❑ **Expense management**

- **Enterprise Risk Management**

Recent Wall Street Journal Articles

Braving the Subprime Storm

Tough to Avoid Trouble, As More Part of Market Starts to Gather

Complacency, Panic Whipsaw Credit Markets

EIGHT MONTHS AGO, credit markets reflected dangerous complacency about the risk of default in the economy. Today, there are signs they've gone too far in the opposite direction.

Jim Bianco, president of Bianco Research LLC, says that's the case

Pulling Back

Cumulative price change since end of April



Sources: WSJ Market Data Group; Merrill Lynch

als, which investors turn to precisely because their prices typically do not move in sync with other assets. They have dropped along with everything else in the late July.

The result is that investors spread their money across different assets, finding more than they thought they would.

ABREAST OF THE MARKET

It is becoming more difficult to find assets that aren't highly correlated with the market in short periods of time, meaning commodities, equity derivatives, and

Money Funds May Hold Subprime, Too

By KAREN RICHARDSON AND DAVID RELLY

FEW PARTS OF THE capital markets, it seems, are immune from the problems posed by mortgage-backed securities. Even the usually staid world of money-market funds, often viewed as an alternative to bank accounts, money-market funds

But some commercial paper may be fairly racy, containing mortgage-backed securities that could include subprime loans. That isn't likely to cause big losses at these funds or endanger them. Still, it is prompting money-market managers to pay closer attention to what is backing the commercial paper they buy, demanding additional compensation for investing in a particular type of vehicle that issues some asset-backed commercial paper and call for greater transparency in this market. That, in turn, is bringing a greater focus to bear on so-called conduits.

Background: A steady investment in commercial paper (short-term IOUs from companies or underpinned by assets and loans) is often scooped up by money-market funds.

At Issue: Some asset-backed commercial paper may be riskier than investors thought it can be mortgage-tied.

Result: Money-market managers may be reluctant to buy certain kinds of this paper without being paid more and may call for more disclosure for the vehicles, called conduits, that issue them.

Credit Tremors Crop Up in Cash Funds

By SHEFALI ANAND and DAVID RELLY

Money-market funds, which are the most conservative places to temporarily park cash.

Buyers for some debt instruments—particularly in asset-backed securities—and some subprime securities—have dried up in recent weeks. A general lack of liquidity such as this in global markets is what prompted central banks in the U.S. and elsewhere in recent days to open up emergency lending facilities to help investors that suddenly find themselves in a bind.

Subprime Fallout Rate-Bond Issuance

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Fight Over \$24 Billion in Financing

Home Depot, First Data doesn't have the cloud of housing-market gloom hanging over its future. And KKR has staked out a position as the most intransigent of the private-equity giants when it comes to willingness to give the banks a break. That makes the confrontation between the banks and KKR the most straightforward clash between the two sides as the deal boom that dominated the first half of the year has spun off the tracks.

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So far, KKR has shown a willingness to give some ground, although not on issues that would fundamentally change the outlook for banks and their willingness to compromise will grow over time. Shares of First Data, which had dipped to less than \$31 in recent weeks, closed yesterday at \$32.73, up

New Villain in Market Drama: Commercial Paper

Banks Pressed to Sell Short-Term Investments

COMMERCIAL PAPER, the usually humdrum market for short-term debt held by money-market funds and used by companies to finance their operations, has suddenly taken center stage in the credit crunch. Yesterday two big bank groups had to step up with rescue and support operations, propping up faltering issuers of

wide Financial Corp., some of it to backstop Countrywide's commercial paper.

The operations highlighted the problems in the \$3 trillion commercial-paper market, contributing to pullbacks in global stock markets and adding to concern of a financial "contagion" that could raise financing costs for, or perhaps knock out, even healthy companies.

By Randall Smith, Serena Ng and Carrick Mollenkamp

securities firms at Deutsche Bank AG. Many of the industrial giants that once used commercial paper as a cheaper substitute for bank loans have retreated from the market in recent years. They have been replaced by specialty finance companies and other investment vehicles. In the process, commercial paper has come to finance ever-larger swaths of the economy.

Hedge funds, private-equity firms and investment banks have played a major role in this expansion by setting up companies that borrow by issuing

As the value of those securities became unclear—and the companies holding them come under pressure—the commercial paper they have issued has come into question, as we saw yesterday, in the biggest wave of subprime mortgage-bond downgrades to date, Moody's Investors Service slashed ratings on 691 securities.

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Travelers Liquidity and Capital Position

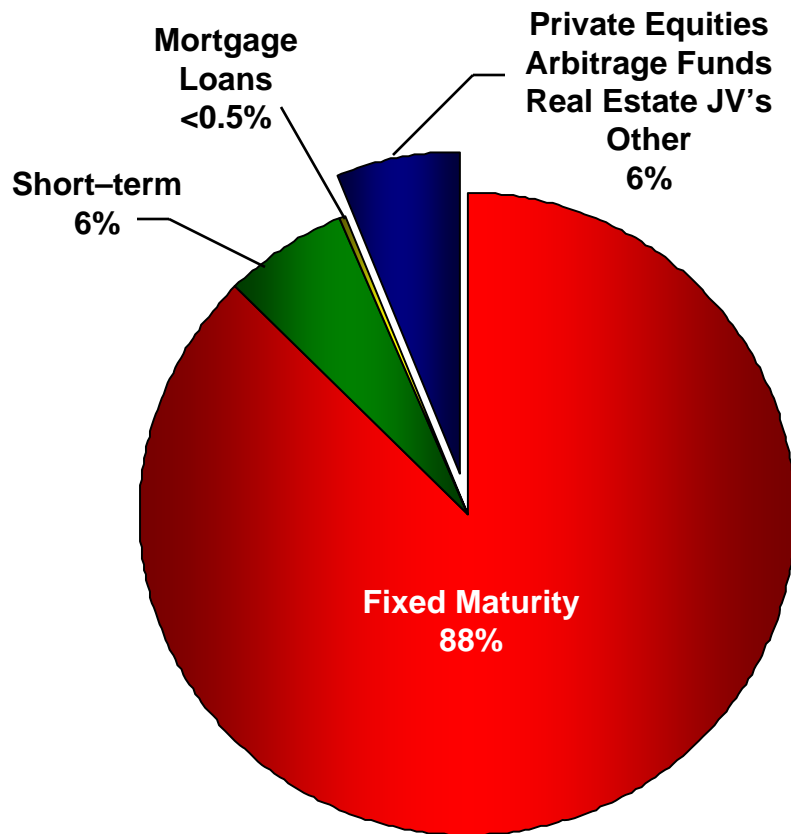
(\$ in millions)

	<u>June 30, 2007</u>	
Debt	\$	6,733
Preferred equity		119
Common equity ⁽¹⁾		25,466
Total capital ⁽¹⁾	\$	<u>32,318</u>
<i>Debt to total capital</i> ⁽¹⁾		20.8%
<i>ex debt pre-funding</i> ⁽²⁾		19.6%
Statutory surplus	\$	21,843
Holding company liquidity	\$	2,274
<i>ex debt pre-funding</i> ⁽²⁾	\$	1,790

(1) Excludes FAS 115

(2) Excludes the dollar amount of 3Q 2007 debt maturities which were pre-funded with the May 2007 issuance of debt

High Quality Investment Portfolio



Duration: 4.1
Average quality rating: AA1, AA+
Below investment grade: 2.6%
After-tax yield: 4.2%
Average Invested Assets: \$73 billion

Travelers well positioned for current market conditions

Note: All information presented as of or for the quarter ended June 30, 2007.

Negligible Exposure to Sub-Prime / Alt-A Mortgages

(\$ in millions)

➤ **Sub-prime / Alt-A mortgages within fixed maturities portfolio:**

	<u>Market Value as of June 30, 2007</u>
ABSs collateralized by sub prime mortgages	\$ 102
- Average credit rating of "AAA"	
- 95% from vintage years 2003 & prior	
CMO securities backed by Alt-A collateral	103
- Average credit rating of "AAA"	
CDOs backed by sub prime mortgages	-
Total	<u>\$ 205</u>
<i>As a percentage of total fixed maturities portfolio</i>	<i>0.3%</i>

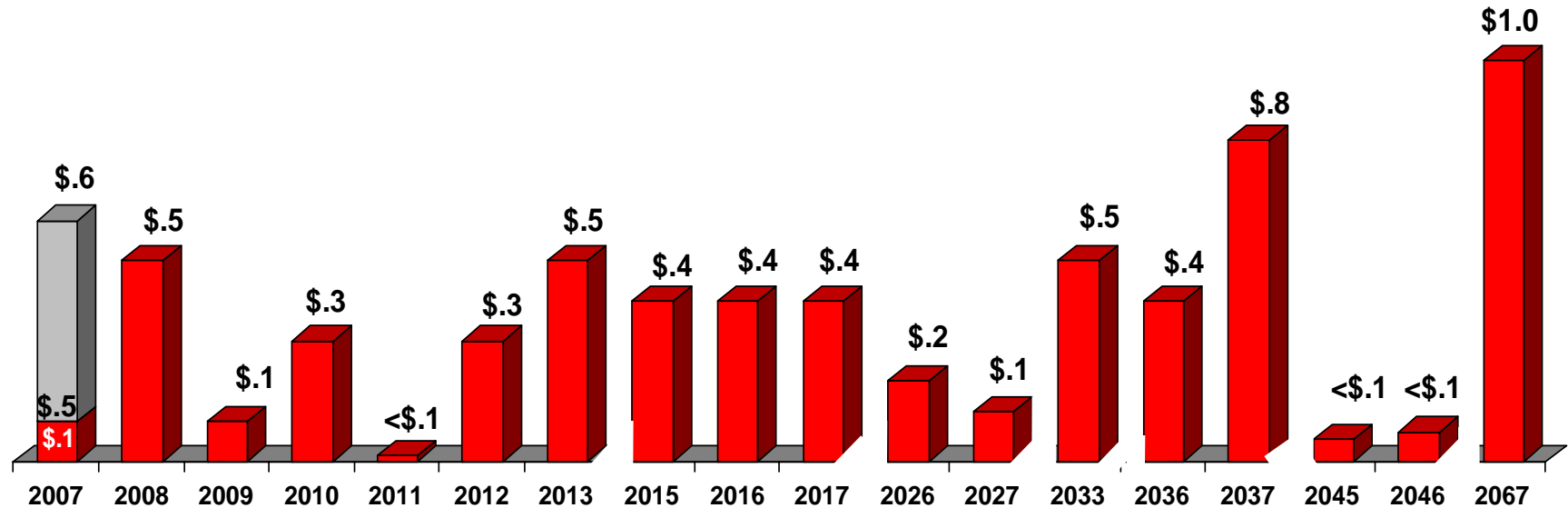
- **No securities in residential mortgage portfolio downgraded or placed on credit watch in 2007**
- **Negligible exposure to sub-prime / Alt-A mortgages within hedge fund portfolio**

Note: ABS – Asset-backed security
CMO – Collateralized mortgage obligation
CDO – Collateralized debt obligation

Minimal Financing Needs Currently Projected Through 2012

(\$ in billions)

➤ Effective laddering of maturities:

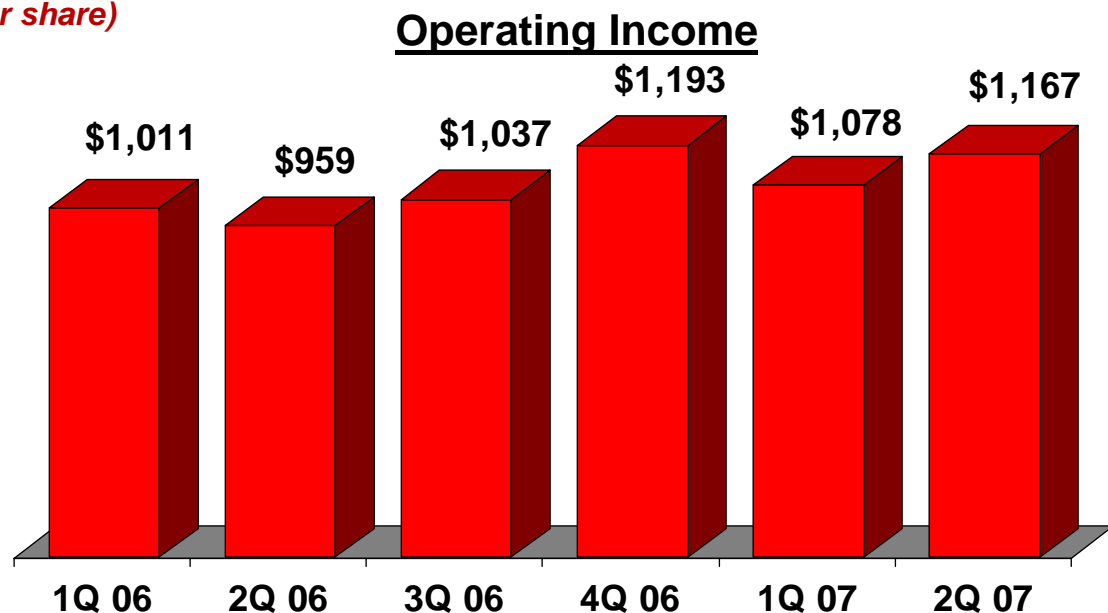


➤ Backup credit facility

- ❑ \$1.0 billion in place through June 2010
- ❑ No material adverse change clauses
- ❑ Supports commercial paper program
 - \$100 million outstanding as of June 30, 2007

Travelers Profitability

(\$ in millions, except per share)



	2007 Six Months	2006 Full Year
Operating income	\$ 2,245	\$ 4,200
<i>Operating income per share</i> ⁽¹⁾	\$ 3.27	\$ 5.90
<i>Operating ROE</i>	18.0%	17.9%
Net realized investment gains	95	8
Net income	<u>\$ 2,340</u>	<u>\$ 4,208</u>
<i>Net income per share</i> ⁽¹⁾	\$ 3.41	\$ 5.91
<i>ROE</i>	18.6%	17.9%

(1) Fully diluted

Disciplined Underwriting Driven by Extensive Analytics

➤ Business dynamics

Metrics

- Profitability
- Production
 - ❑ Retention
 - ❑ New business
 - ❑ New and renewal pricing
 - ❑ Submission volume
 - ❑ Quote ratios
 - ❑ Close ratios
- Pricing segmentation
- Loss trends
 - ❑ Frequency
 - ❑ Severity
 - ❑ Catastrophe
- Expenses

Views by:

- Region
- Office
- Line of Business
- Account Size
- Industry / Program
- Distributor
- Underwriter

Disciplined Underwriting Driven by Extensive Analytics

➤ Product profitability analysis based upon risk adjusted capital

	Select			CAG - Field			First Party		
	Oper. Profit %	Comb. Ratio	% Net Growth	Oper. Profit %	Comb. Ratio	% Net Growth	Oper. Profit %	Comb. Ratio	% Net Growth
Property-NWP 12 mos '05			\$xx			\$xx			
Dec YTD AccYr/ Growth	xx	xx	xx	xx	xx	xx			
Policy View	xx	xx	xx	xx	xx	xx			
Benchmark @ xx% -xx%	xx	xx	xx	xx	xx	xx			
CMP/Other-NWP 12 mos '05			\$xx						
Dec YTD AccYr/ Growth	xx	xx	xx						
Policy View	xx	xx	xx						
Benchmark @ xx% -xx%	xx	xx	xx						
WC-NWP 12 mos '05									
Dec YTD AccYr/ Growth									
Policy View									
Benchmark @ xx% -xx%									

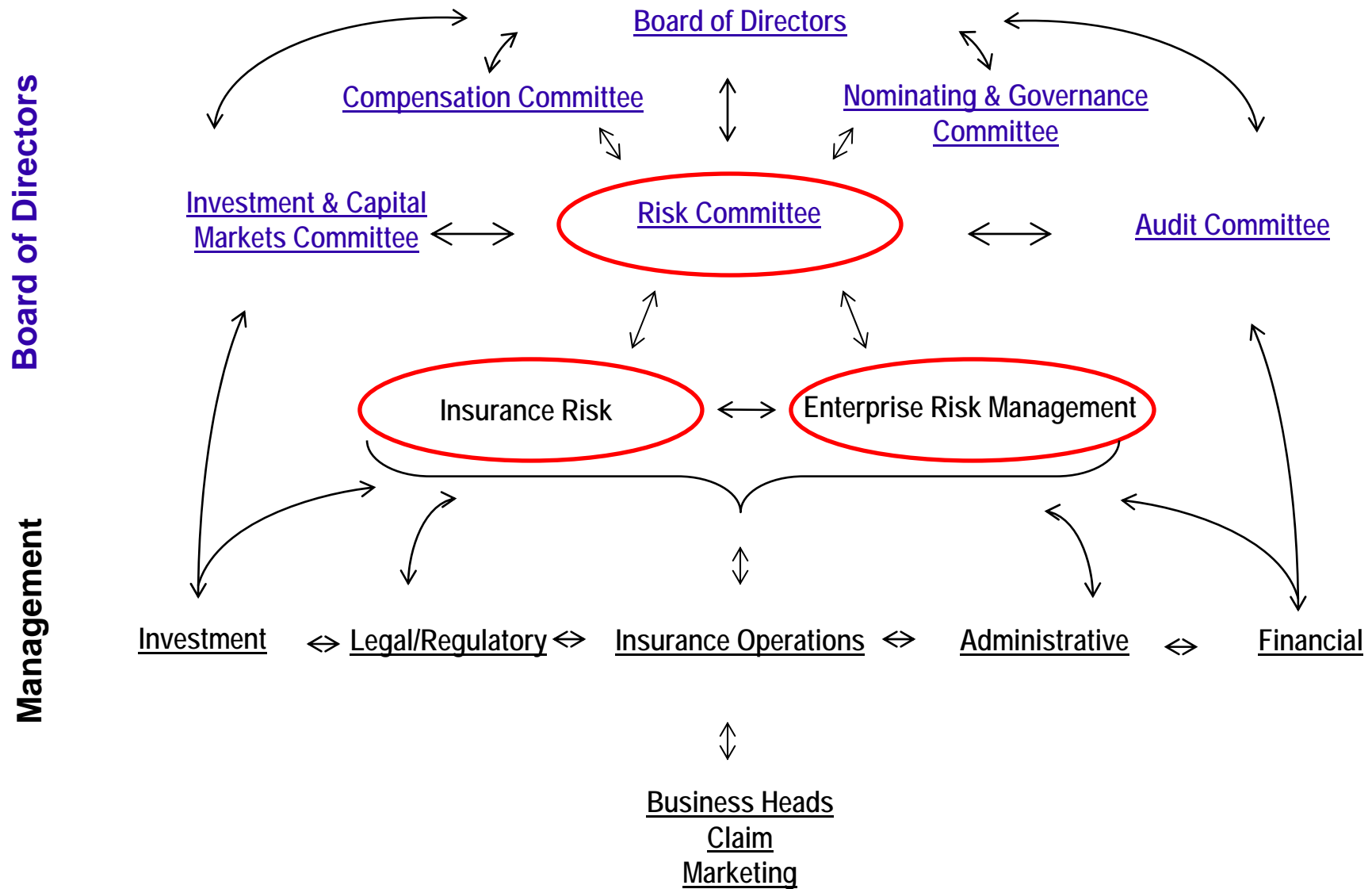
Red = Below Benchmark; Black = Within Benchmark Range; Blue = Above Benchmark.

Travelers Enterprise Risk Management

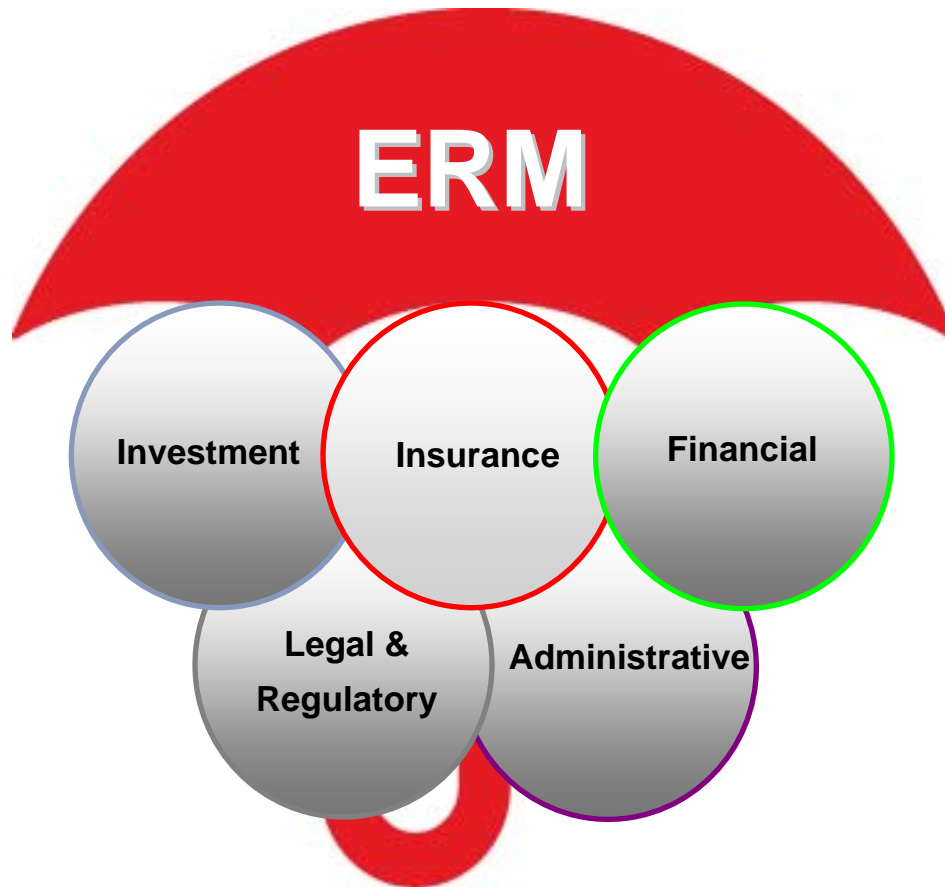
The mission of Travelers Enterprise Risk Management is to facilitate the assessment and mitigation of risks in accordance with the company's goals and values.

- To enhance the coordination of risk management across all categories of risk throughout the company and develop dynamic models to quantify and examine the interaction of these risks on our capital structure.
- Work in partnership with all current key risk management leaders who are focused on risks related to their disciplines (i.e. underwriting, reserving, investments, credit, regulatory compliance, operations etc.) to ensure that coordinated cross-departmental risk management is achieved.
- Create and maintain a dynamic capital model that will be used in the process of allocating capital to our products and business lines, as well as helping to ensure capital efficiency in concert with regulatory and rating agency targets.

Enterprise Risk Management: Travelers Culture



Enterprise Risk Management: Travelers Risk Identification



- Identification and summarization of significant risks performed by:
 - ❑ operating management
 - ❑ financial management
 - ❑ external auditors
- Significant risks reviewed with Audit and Risk Committees of the Board
- Responsibilities for monitoring and managing these significant risks assigned to specific senior managers and committees of the Board

Enterprise Risk Management: Travelers Processes

- **Risk Committees of the Board and senior management**
 - ❑ **Underwriting and pricing**
 - ❑ **Catastrophe modeling**
 - ❑ **Impact of climate change**
 - ❑ **Terrorism strategy**
 - ❑ **Reinsurance**
 - ❑ **Aggregation of risk**
 - ❑ **Identification and assessment of new and evolving theories of liability**

Enterprise Risk Management: Travelers Processes

- Risk Committees of the Board and senior management
- **Investment and Capital Markets Committee of the Board**
 - ❑ Investment policies and performance
 - ❑ Credit aggregation
 - ❑ Asset/liability management
 - ❑ Transaction authorization levels

Enterprise Risk Management: Travelers Processes

- Risk Committees of the Board and senior management
- Investment and Capital Markets Committee of the Board
- **Audit Committee of the Board**
 - ❑ **Claim and claim adjustment expense reserves**
 - ❑ **Major litigation**
 - ❑ **Internal controls**
 - ❑ **Compliance, including Sarbanes-Oxley 404**

Enterprise Risk Management: Travelers Processes

- Risk Committees of the Board and senior management
- Investment and Capital Markets Committee of the Board
- Audit Committee of the Board
- **Governance and Compensation Committees of the Board**

Enterprise Risk Management: Travelers Processes

- Risk Committees of the Board and senior management
- Investment and Capital Markets Committee of the Board
- Audit Committee of the Board
- Governance and Compensation Committees of the Board
- **Other**
 - ❑ **Corporate Actuarial Group**
 - ❑ **Chief Compliance Officer**
 - ❑ **Business Conduct Officer**
 - ❑ **Internal Audit**
 - ❑ **Accounting Policy Group**
 - ❑ **Operational and leadership response teams for disaster recovery**
 - ❑ **And many more**

Travelers: A Preeminent Property Casualty Franchise

- **Strong market presence**
- **Broad and diversified product portfolio**
- **Significant scale**
- **Leading distributor through independent agents**
- **Superior risk management**
- **Performance based culture**
- **Expenses – spend money like it's your own**

Disclosure

- 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)
- Copies of this presentation are publicly available on the Travelers website (www.travelers.com) in the investor section.

TRAVELERS**J**
