



Managing Risk

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Chairman & Chief Executive Officer
Lehman Brothers Conference
September 10, 2008

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, statements about our share repurchase plans, statements about the potential impact of the recent disruption in the investment markets and other economic conditions on our investment portfolio and underwriting results are forward looking, and we may make forward-looking statements about our results of operations (including, among others, premium volume, net and operating income, investment income, return on equity, expected current returns and combined ratio), and financial condition (including, among others, invested assets and liquidity); the sufficiency of our asbestos and other reserves (including, among others, asbestos claim payment patterns); the cost and availability of reinsurance coverage; catastrophe losses; investment performance; investment, economic and underwriting market conditions; 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 and adversely affect our results of operations, our financial position and/or liquidity and could 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 materially 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; we may not be able to collect all amounts due to us from reinsurers, and reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all; the intense competition that we face could harm our ability to maintain or increase our profitability and premium volume; we are exposed to credit risk in certain of our business operations and in our investment portfolio; the insurance industry and we are 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 adversely impact 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; deteriorating economic conditions in the United States and abroad could adversely impact our ability to grow our business, and inflation could result in an increase in loss costs which could negatively impact our profitability; the inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts would harm our ability to meet our obligations and to pay future shareholder dividends; disruptions to our relationships with our independent agents and brokers could adversely affect us; we are subject to a number of risks associated with our business outside the United States; we could be adversely affected if our controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective; our business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology; certain significant multiyear projects are currently in process but may not be successful; and if we experience difficulties with technology, data security and/or outsourcing relationships, our ability to conduct our business could be negatively impacted.

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.

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 forward-looking statements.

In this presentation, we may refer to some non-GAAP financial measures, including, among others, operating income, operating income per diluted share, 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).

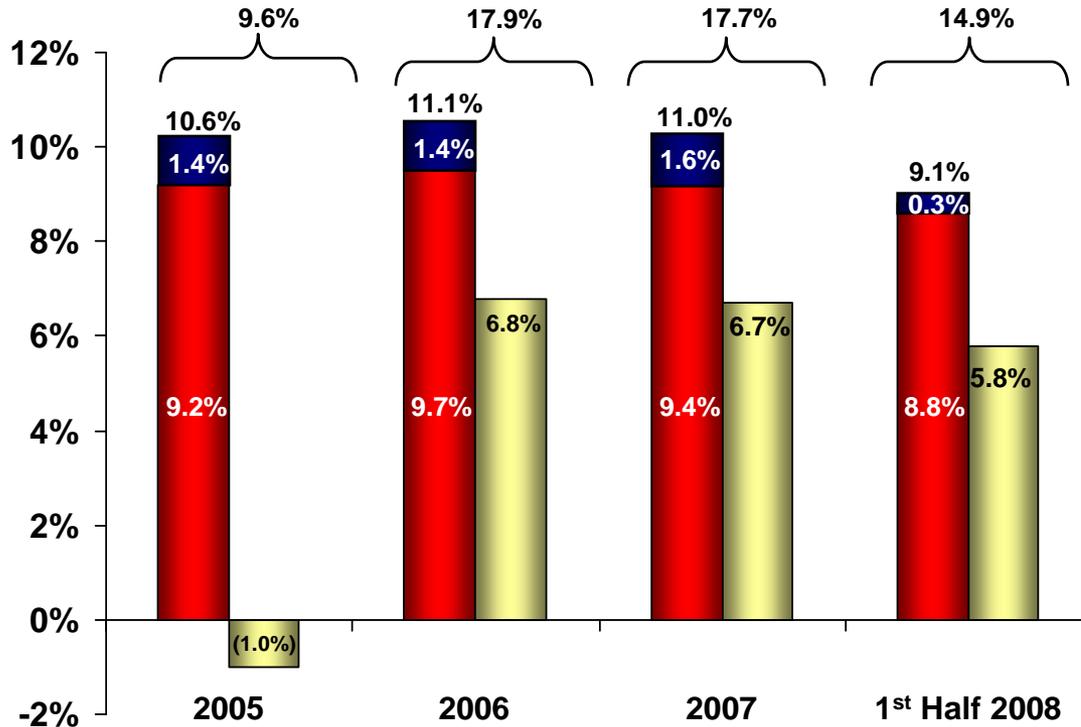
Mission



Create Shareholder Value
Objective: Mid-Teens ROE Over Time

Travelers: An Industry Leader, With Strong Performance

Operating Return on Equity



➤ 2005 through 1st half of 2008 operating return on equity of approximately 15%

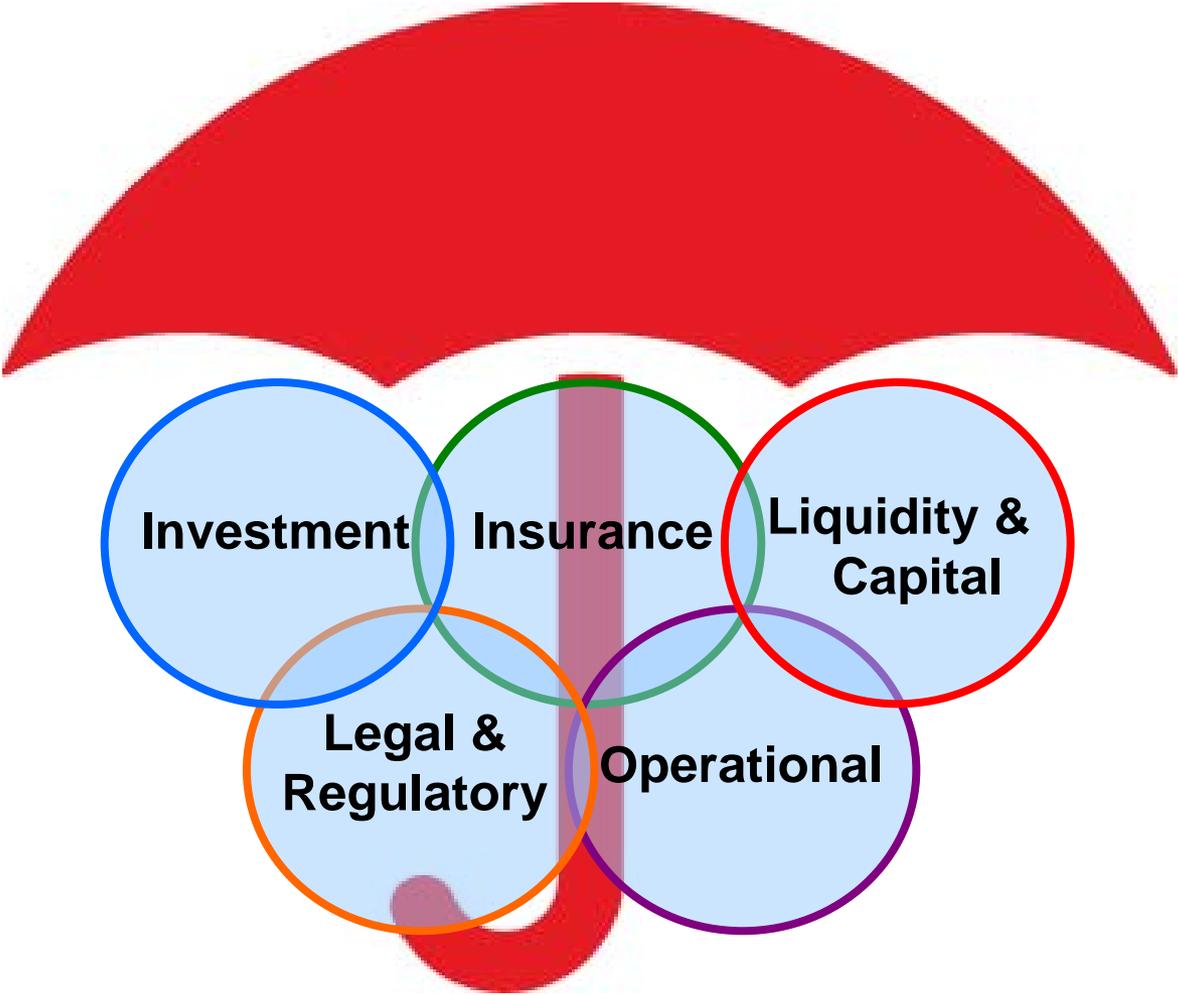
➤ Very strong financial position

- Debt-to-capital ratio of 19.7%¹
- Holding company liquidity of \$2.2 billion¹
- Financial strength ratings
 - Moody's: Aa2 (Upgraded June '08)
 - S&P: AA-
 - Fitch: AA
 - A.M. Best: A+

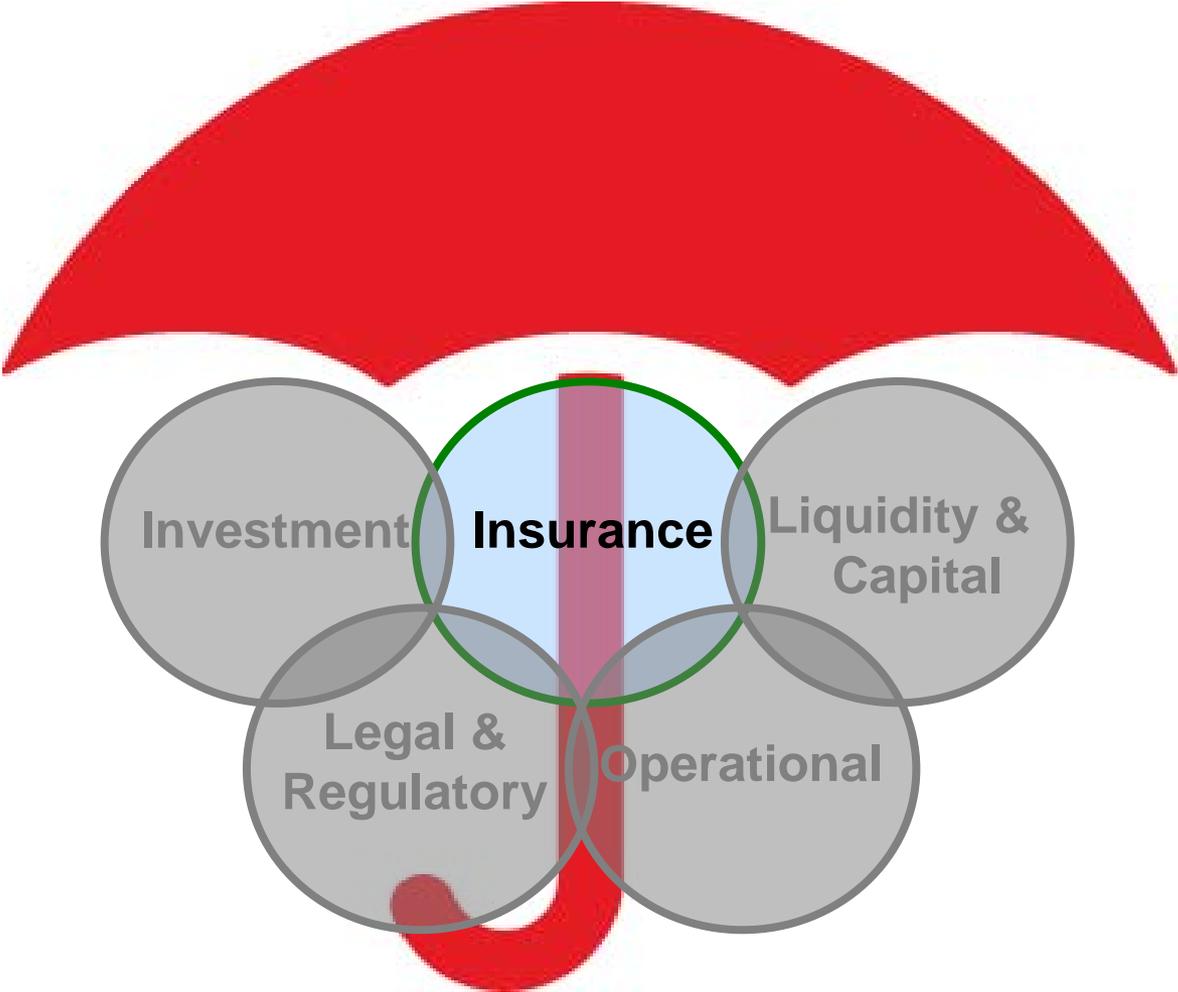
Op. Income	\$2.0 billion	\$4.2 billion	\$4.5 billion	\$1.9 billion
Op. Income Per Diluted Share	\$2.90	\$5.90	\$6.71	\$3.11

- Fixed investment portfolio investment income less holding company interest expense
- Non-fixed investment portfolio investment income
- Underwriting income / (loss)

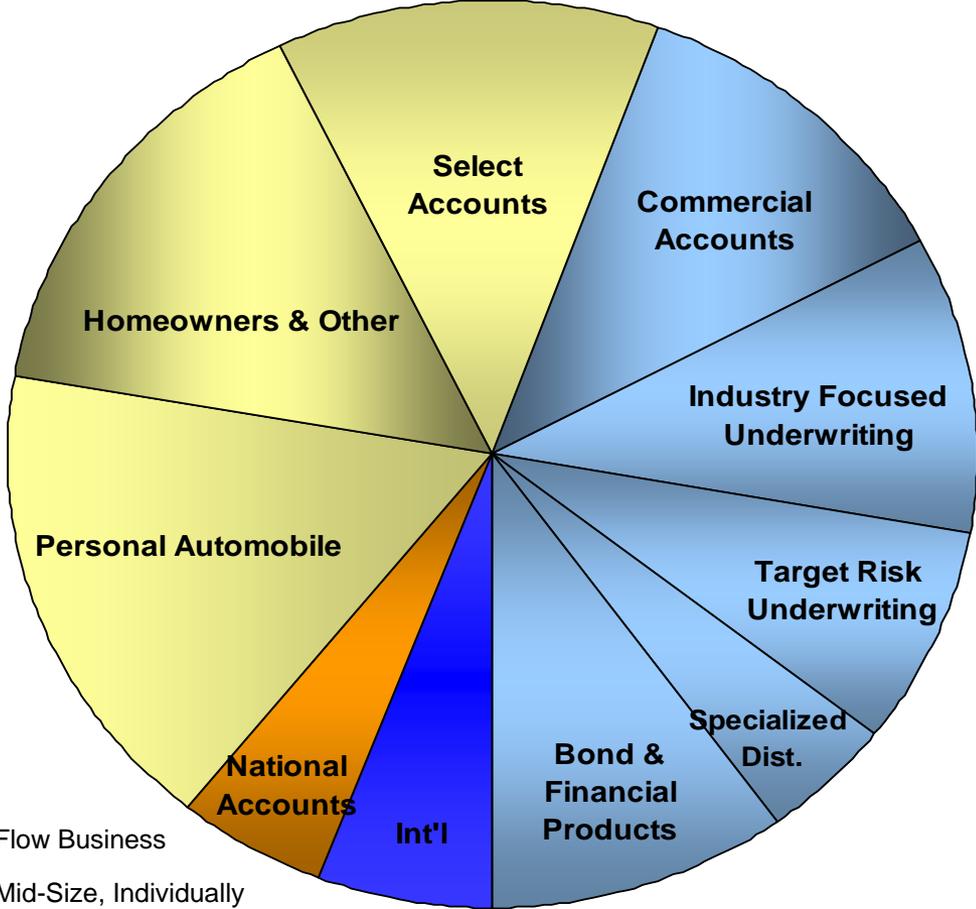
Risk Management Embedded in the Corporate Culture



What Are Our Risks and How Do We Manage Them



Insurance Risk: Diversified Business Profile



- Personal Insurance
 - Standard and preferred markets
- Select Accounts
 - Small commercial business
 - Average premium size: \$6,000
- Mid-size, individually underwritten
 - Majority of account premiums less than \$500,000
- International
 - Operations in Canada, United Kingdom, Ireland and Lloyd's
- National Accounts
 - Primarily loss sensitive products



Significant focus on flow business, 44% of NWP

Insurance Risk: Characteristics of Flow Business

- High volume, low transaction size
- Pricing and marketing advantages through predictive modeling techniques
- Sophisticated technology platforms with built in risk evaluation and pricing
 - Speed and ease of doing business are critical
 - Objective: Business moves from agent submission to policy issuance without underwriter intervention
- Historically, pricing subject to less cyclical
- Size and scale are important competitive advantages and lead to more predictable outcomes
- Losses defined by frequency rather than severity

Quantumauto

Quantumhome

TravelersExpressSM

Insurance Risk Risk Management: Underwriting Process

- Well defined risk appetite
- Individual underwriter limits
- CURE process: a formal, collaborative underwriting review

Disciplined and thoughtful risk selection process

Insurance Risk Risk Management: Underwriting Process

- Thoughtful reinsurance program
 - Designed to reduce severity per individual loss and/or aggregate exposure
 - Largely a “gross line” underwriter
 - Limited reliance on property catastrophe reinsurance
- Extensive detailed data and sophisticated analytics support pricing, reserving, underwriting and claim processes on a real time basis
 - Granularity of data; views accessible by region, office, line of business, industry/program, account size, distributor and underwriter
 - Technology, systems and people in place to effectively analyze data and execute on the knowledge
 - Integrated process to communicate and share risk information throughout the organization

Disciplined and thoughtful risk selection process

Insurance Risk

Disciplined Underwriting Driven by Extensive Analytics

Product profitability analysis based upon risk adjusted capital

	Select Field		CAG - Field / Pgms		Other	
	Oper. Profit %	Comb. Ratio	Oper. Profit %	Comb. Ratio	Oper. Profit %	Comb. Ratio
Property					National Property	
Jun YTD AccYr	XX	XX	XX	XX	XX	XX
Policy View	XX	XX	XX	XX	XX	XX
Benchmark @ 13% -18%	XX	XX	XX	XX	XX	XX
CMP/Other			National Programs		Boiler / Agri	
Jun YTD AccYr	XX	XX	XX	XX	XX	XX
Policy View	XX	XX	XX	XX	XX	XX
Benchmark @ 13% -18%	XX	XX	XX	XX	XX	XX
WC					Inland Marine	
Jun YTD AccYr	XX	XX	XX	XX	XX	XX
Policy View	XX	XX	XX	XX	XX	XX
Benchmark @ 13% -18%	XX	XX	XX	XX	XX	XX
Auto					Northland Transp.	
Jun YTD AccYr	XX	XX	XX	XX	XX	XX
Policy View	XX	XX	XX	XX	XX	XX
Benchmark @ 13% -18%	XX	XX	XX	XX	XX	XX
GL					North Bind & Pgm	
Jun YTD AccYr	13.5	96.9	XX	XX	XX	XX
Policy View	13	97	XX	XX	XX	XX
Benchmark @ 13% -18%	13-16	98-94	XX	XX	XX	XX
Umbrella					Small Programs	
Jun YTD AccYr	28.9	84.6	14.6	99.5	XX	XX
Policy View	26	88	10	104	XX	XX
Benchmark @ 13% -18%	19-22	99-94	20-24	93-89	XX	XX

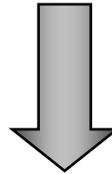
Red = Below Benchmark; Blue = Within Benchmark; Black = Above Benchmark

Risk Management: Insurance Oversight

Management risk committee

Broad representation of organization: 40 members

Considers current and emerging insurance issues

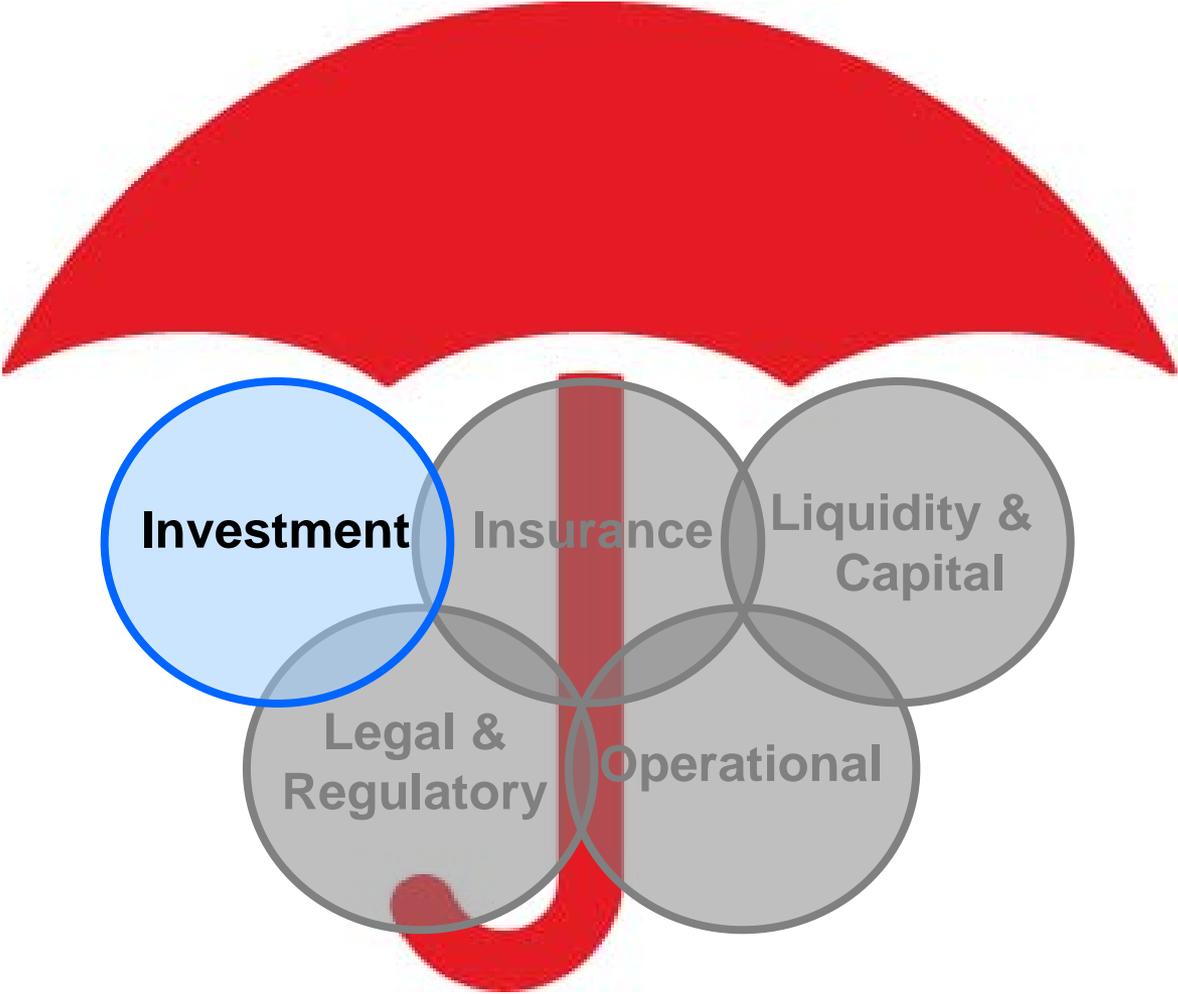


Risk Committee of the Board of Directors

Responsibilities defined by charter

Coordinated risk evaluation process

What Are Our Risks and How Do We Manage Them



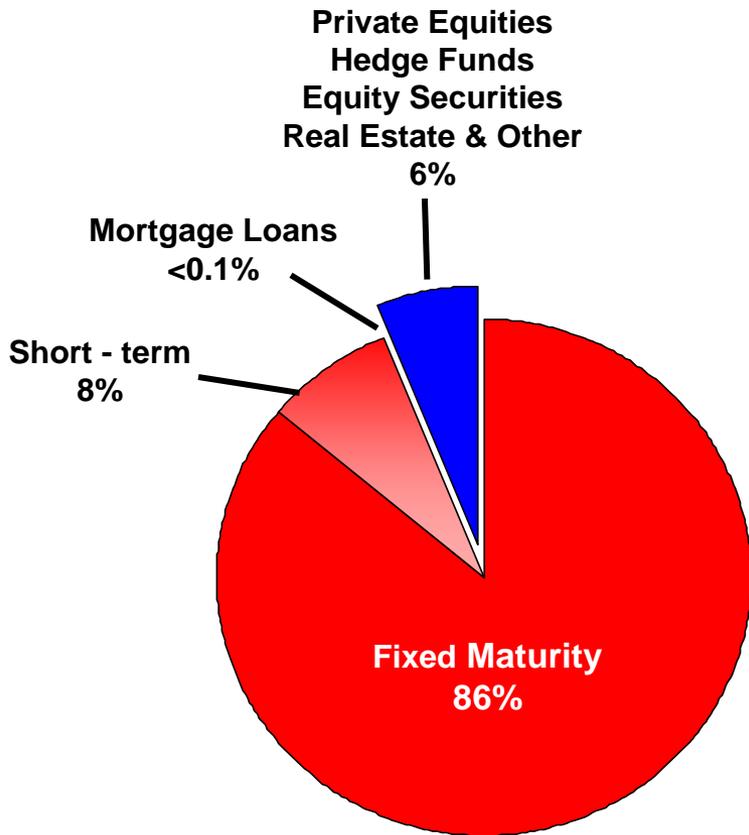
Investment Philosophy

- Investment operations support the insurance operations
 - High quality fixed income return is factored into insurance pricing decisions
 - Ensure the company's ability to meet its liabilities to policyholders and other creditors
 - Disciplined, long-term risk / return analysis drives asset allocation decisions

- Investment and Capital Markets Committee of the Board oversees
 - Investment policies and performance
 - Credit aggregation
 - Asset / liability management

Investment Portfolio

(\$ in billions)



Duration: 4.1

Average quality rating: Aa1, AA+

Below investment grade: 2.5%

	Jun 30, 2008		Dec 31, 2007	
Taxable fixed maturities	\$ 25.1	34%	\$ 26.3	35%
Tax-exempt fixed maturities	38.0	52%	38.6	52%
Total fixed maturities	<u>63.1</u>	<u>86%</u>	<u>64.9</u>	<u>87%</u>
Mortgage loans	-	-%	-	-%
Short-term securities	5.5	8%	5.2	7%
Total fixed income	<u>68.6</u>	<u>94%</u>	<u>70.1</u>	<u>94%</u>
Private equities	1.5	2%	1.4	2%
Hedge funds	0.7	1%	0.9	1%
Equity securities	0.5	1%	0.5	1%
Real estate & other	1.9	2%	1.9	2%
Total other investments	<u>4.6</u>	<u>6%</u>	<u>4.7</u>	<u>6%</u>
Total invested assets	<u>\$ 73.2</u>	<u>100%</u>	<u>\$ 74.8</u>	<u>100%</u>

Financial Strength Unaffected by Recent Market Disruption

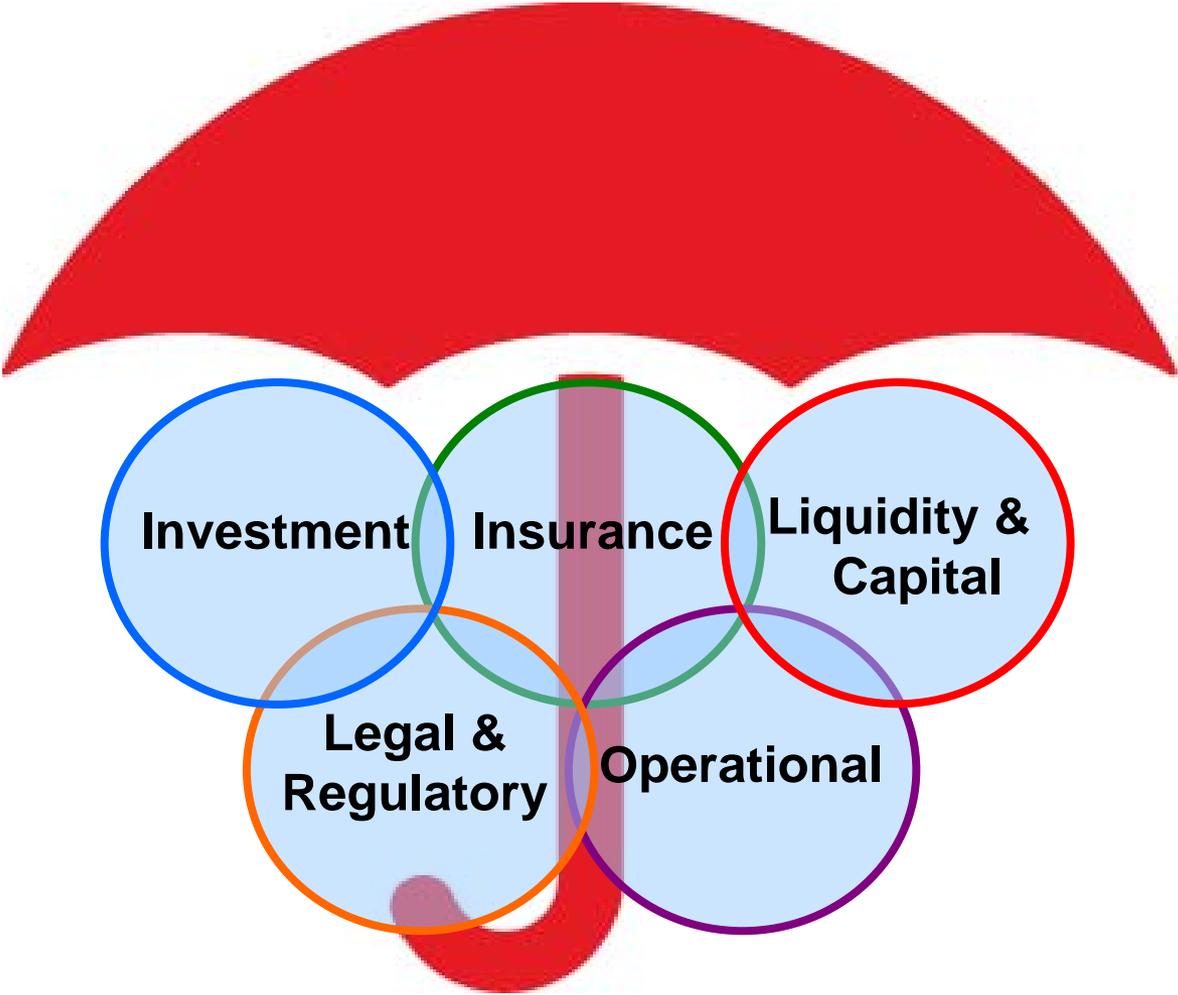
Areas of Market Disruption

- Subprime / Alt-A mortgage-backed securities
- Collateralized debt obligations
- Collateralized loan obligations
- Monoline insurer guarantee of municipal bonds
- Structured investment vehicles
- Municipal tender-option programs
- Asset-backed commercial paper
- Auction-rate securities
- Liquidity puts
- Holdings of FNM/FRE debentures / preferred equity
- Loss of access to commercial paper market

Status

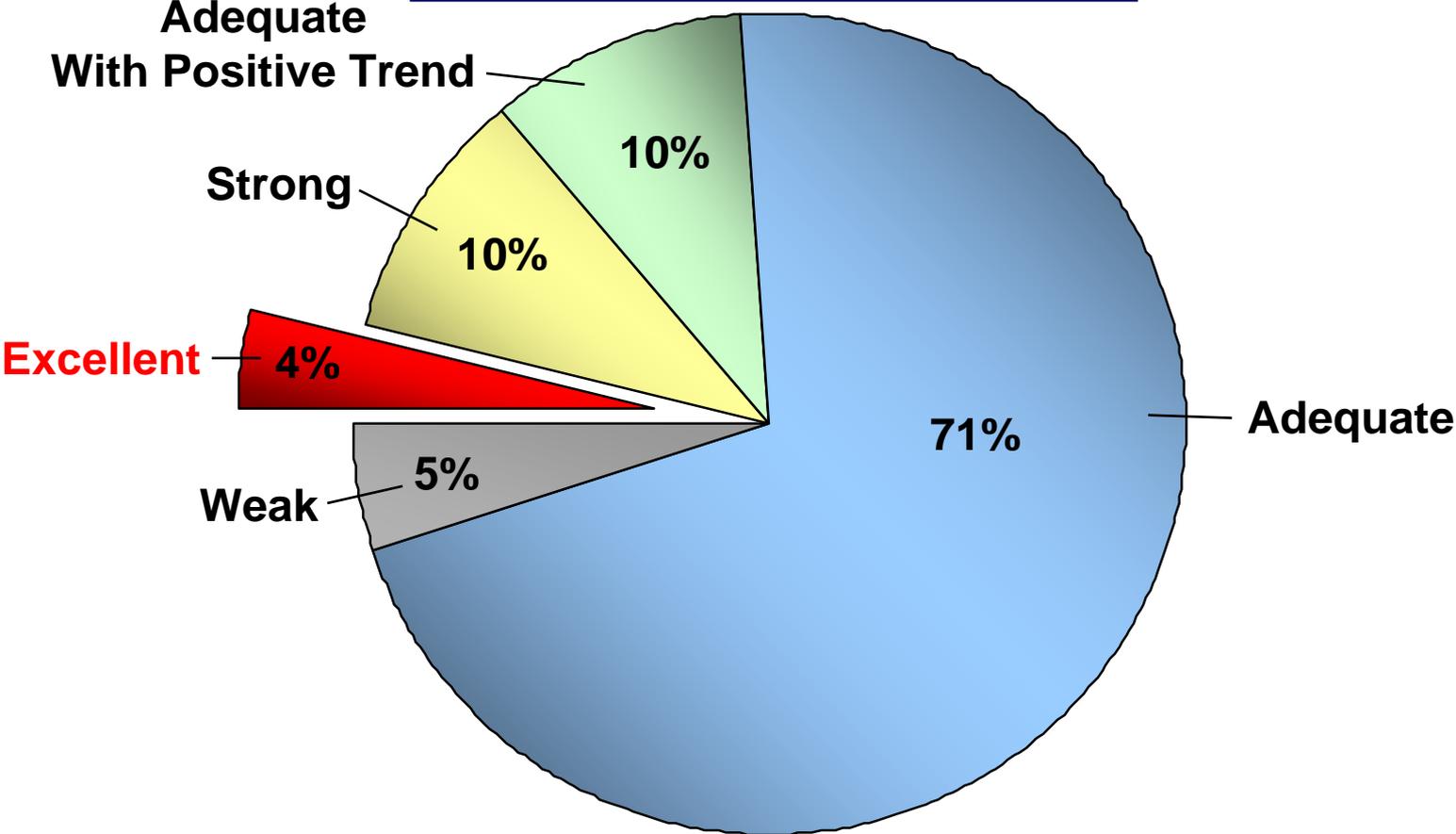
- Holdings of \$290 million - negligible exposure
- None
- None
- Municipal bond portfolio AA+ with or without guarantee (based on underlying ratings)
- None
- Conservatively structured - negligible exposure
- None
- None
- None
- None
- Debentures: \$12 million
Preferred equity: \$7 million
- Access uninterrupted; approximately \$100 million outstanding

Risk Management Embedded in the Corporate Culture



End Result: 2008 S&P Insurance ERM Study¹

Ratings Distribution S&P Assessment of 152 Insurance Groups

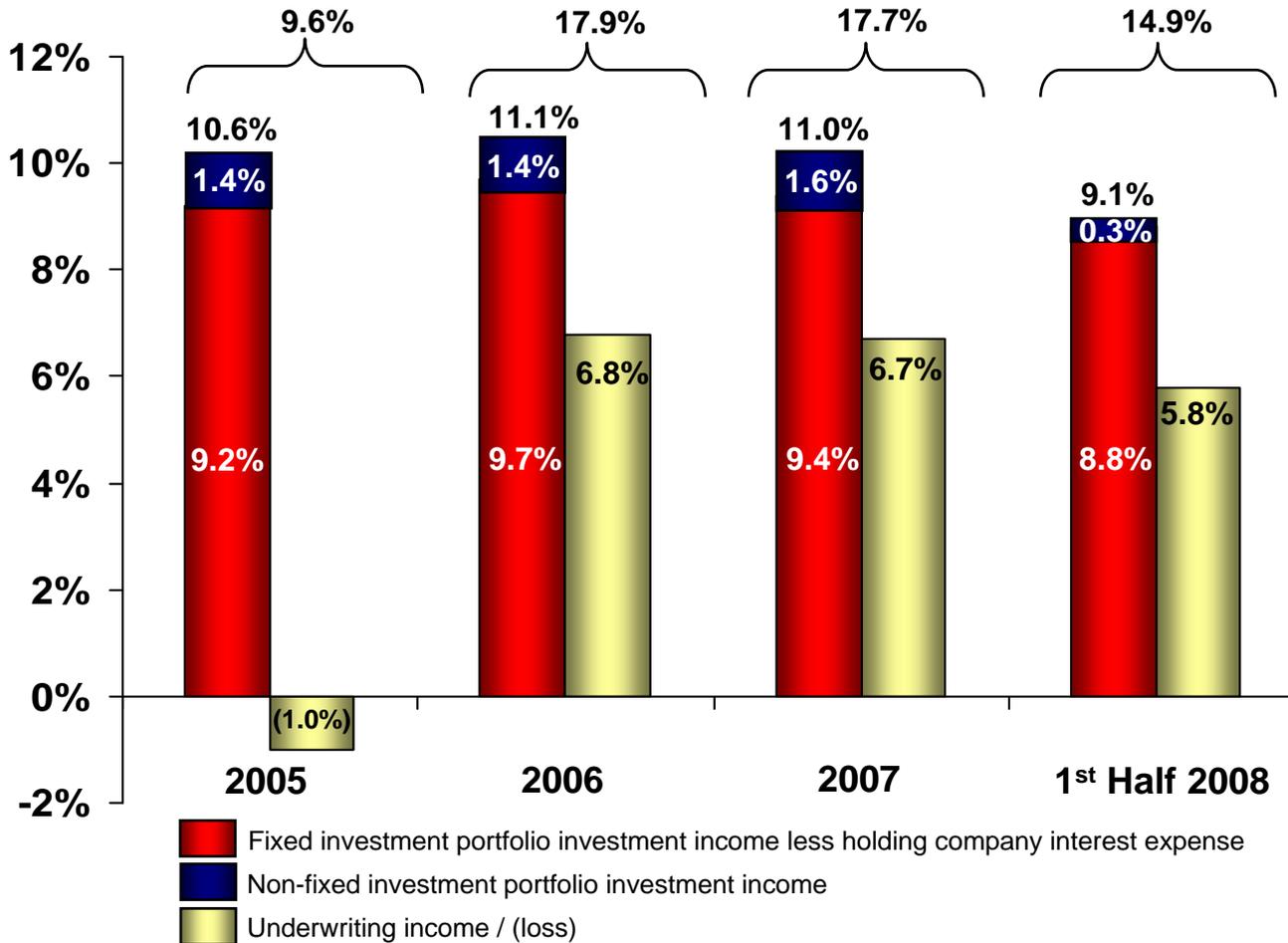


Travelers received S&P's highest rating: **Excellent**

¹ Results published in May 28, 2008 S&P report titled "Enterprise Risk Management Is Improving In North America and Bermudian Insurers" and incorporate the ERM assessments of 152 insurance groups.

Travelers: An Industry Leader, With Strong Performance

Operating Return on Equity



Continuing to create shareholder value

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)**

TRAVELERS  **J**