



The Travelers Companies, Inc.

Workers' Compensation Advantage



Doreen Spadorcia

Vice Chairman – Claim Services, Personal Insurance and Operations & Systems

Travelers Integrated Business Approach

- Functional excellence in Actuarial, Pricing, Underwriting, Risk Control and Claim
- Seamless integration of disciplines gives Travelers a competitive advantage
- Leverage both advantage of scale and knowledge of local environment
- Holistic approach in every business allows rapid recognition of payout factors



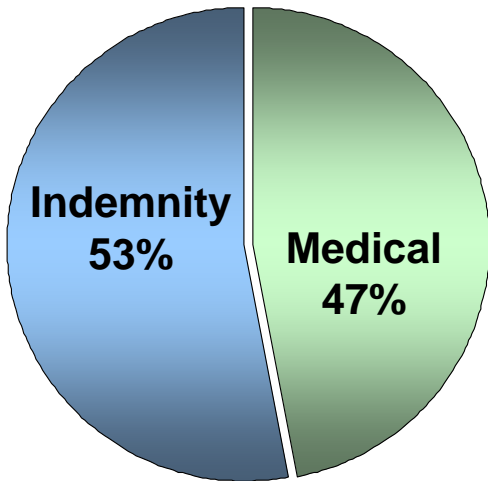
Integrated approach sustains competitive advantage and barrier to entry

Workers' Compensation Is . . .

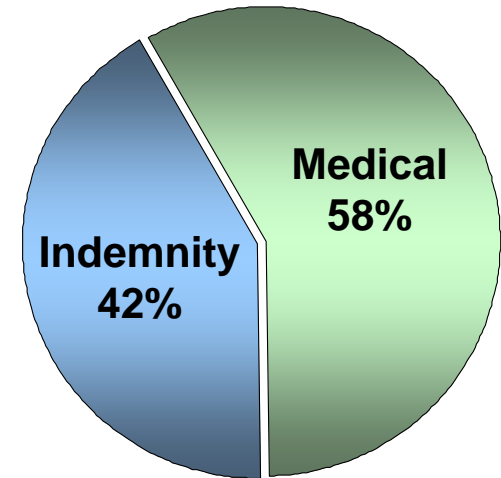
- Exclusive remedy for workers who are injured in the “course and scope” of employment
- Designed to compensate for lost earnings and medical expenses
- Mandatory in most states
- Governed by state statute - wide variations
 - Compensability and benefit differences
 - Fee schedules v. usual and customary
 - Employer / employee choice of medical provider

Industry Workers' Compensation Cost Drivers

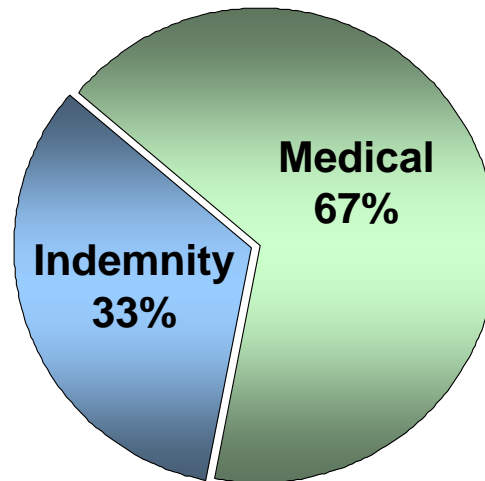
1989



2009



2019 Estimate



Workers' compensation medical cost projected to increase to 2/3 of total paid by 2019

Our Approach to Workers' Compensation

- Superior risk assessment and selection
- Specialized claim model develops deep expertise in key areas:
 - Compensability
 - Medical management
 - Return-to-work
 - Resolution
- Scale allows investment in infrastructure and resources
- Unmatched data and analytics
- Expense and payout discipline

Expertise and process excellence leads to better outcomes

Claim Key Strategies and Investments

Attract, Retain & Develop World Class Talent

- Claim University, Forensics Lab

Provide Compelling Claim Services

- Workers' Compensation Process Excellence



Drive the Information Advantage

- Predictive Modeling, Managed Care Database

Partner for Mutual Success

- Integrated Process: Rapid Feedback – Risk Control, Underwriting

Achieve Optimal Solutions

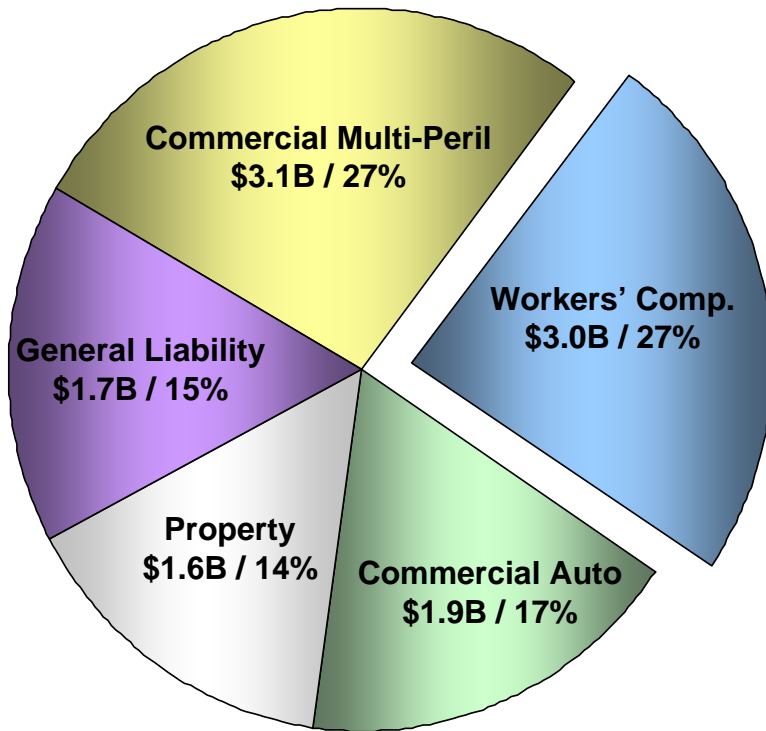


Bill Malugen

President – National Accounts

Travelers Workers' Compensation Business

**Travelers Business Insurance Segment
Full Year 2011 Net Written Premiums: \$11.3 Billion**



**Market Share Percentage
Top 10 Workers' Compensation Carriers**

Rank	Company	2011	2010	2009	2008	2007
1	Liberty Mutual	9.3%	10.2%	10.9%	11.7%	11.0%
2	AIG	7.9%	9.0%	9.4%	9.6%	11.8%
3	TRAVELERS	7.3%	7.1%	6.7%	6.1%	5.4%
4	Hartford	7.1%	6.6%	6.1%	5.6%	5.0%
5	Zurich	5.1%	5.3%	5.3%	5.1%	5.4%
6	New York State Fund	3.4%	3.3%	3.2%	2.9%	3.3%
7	California State Fund	2.3%	2.9%	3.2%	3.7%	4.6%
8	ACE	2.2%	2.7%	2.7%	2.1%	2.6%
9	CNA	2.2%	2.1%	2.3%	2.2%	2.0%
10	Old Repub. Inter. Corp.	2.1%	2.1%	2.2%	2.1%	2.0%

Source: SNL

Why It Matters – Risk Selection

- Our large scale of proprietary data
 - Feeds industry leading analytics and tools to facilitate underwriting and pricing decisions on individual accounts at the local level
- Our pre-quote underwriting risk evaluations by Risk Control team
 - Enables better selection and informs pricing and coverage decisions
- Our ability to leverage analytics and data across markets
 - Enables us to compete successfully at all customer levels—small, middle market and national accounts as well as the residual market

Superior risk selection supports more sustainable and consistent profits

Why It Matters – Risk Improvement and Risk Mitigation

- Over 750 specialists helping customers assess risk and mitigate losses
 - ~ 500 support the workers' compensation product line
- Provide services related to post-injury management, safety management, ergonomics and industrial hygiene
- ~ 75% of new opportunities are evaluated by Risk Control experts prior to quote
 - ~ 70,000 pre-underwriting risk evaluations completed in 2011
 - ~ 110,000 safety, risk improvement & loss mitigation recommendations made annually

Risk control impacts loss costs and enables better risk selection by underwriters

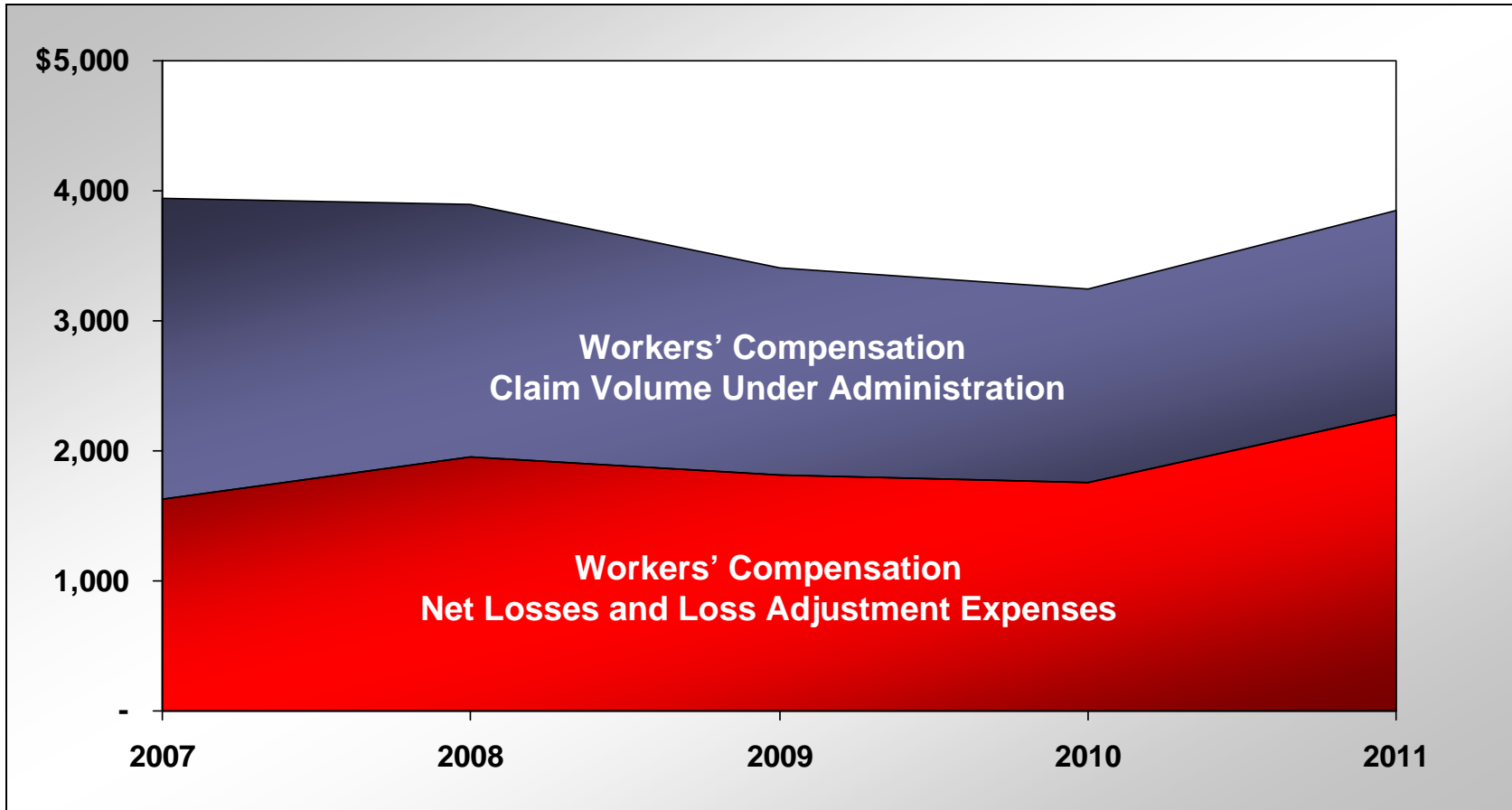
Why It Matters – Claim Effectiveness

- Claim effectiveness and resolution excellence
 - Are key drivers of our value proposition and provide significant top and bottom line advantages
- Our ability to consistently deliver better outcomes
 - Supports new business and retention and differentiates us in the market
- Our information advantage
 - Allows us to be nimble in the market and get to a better answer more quickly – customer insights, product development, risk selection and pricing

Drives loss outcomes, customer satisfaction, retention and total cost of risk for our customers

Total Workers' Compensation Claims Volume

(\$ in millions)

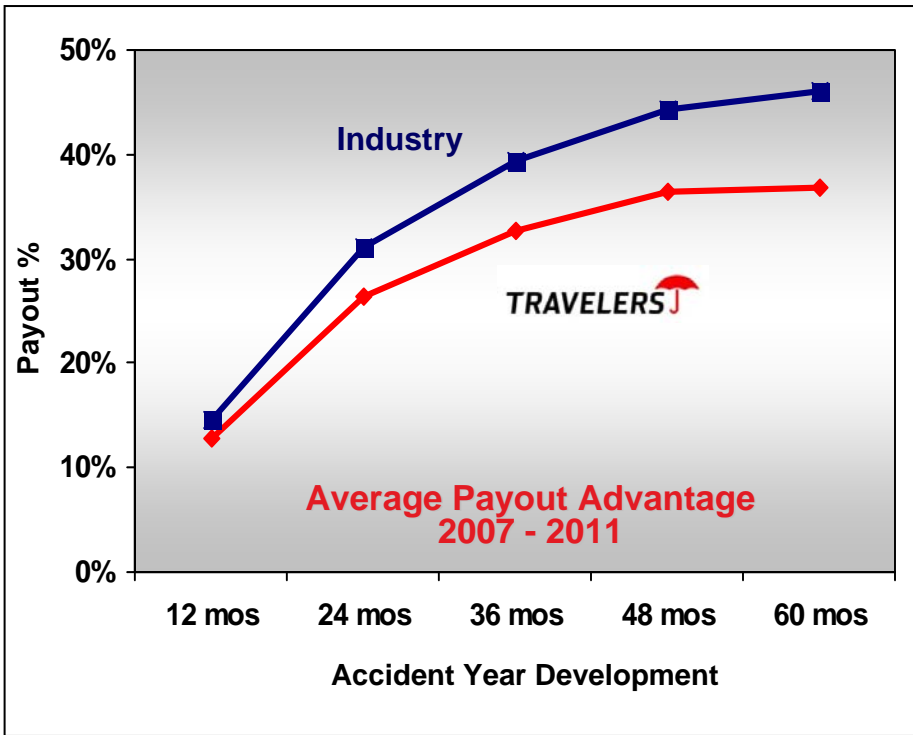


Our significant workers' compensation scale powers our industry leading data and analytics platform

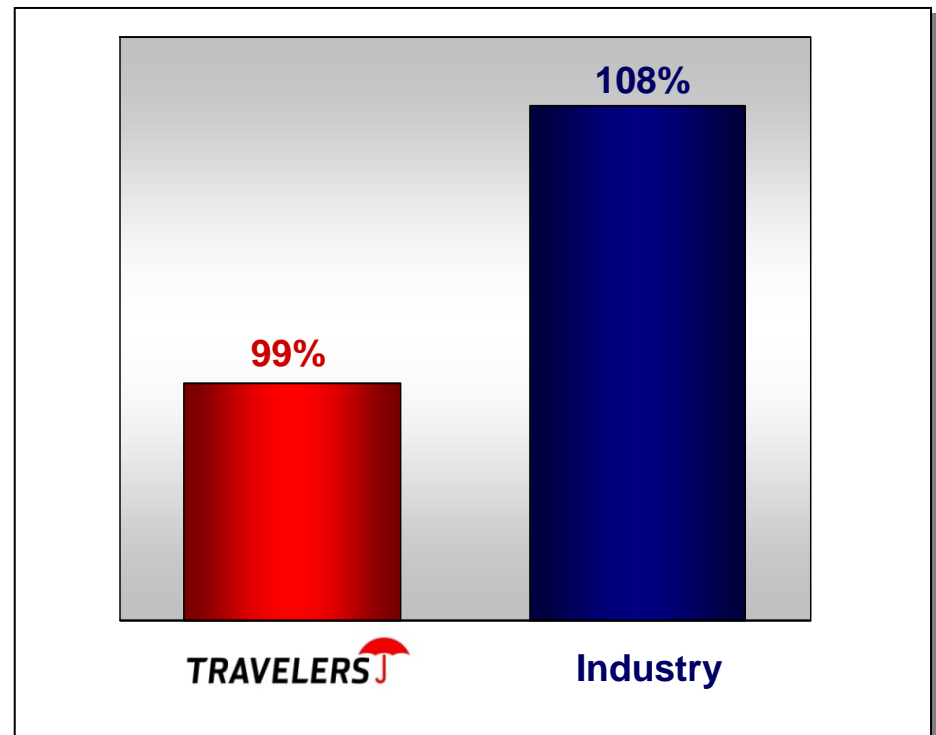
Workers' Compensation

Results vs. Industry

Paid Loss & ALAE as % of Premium



Statutory Combined Ratio (2007-2011)¹



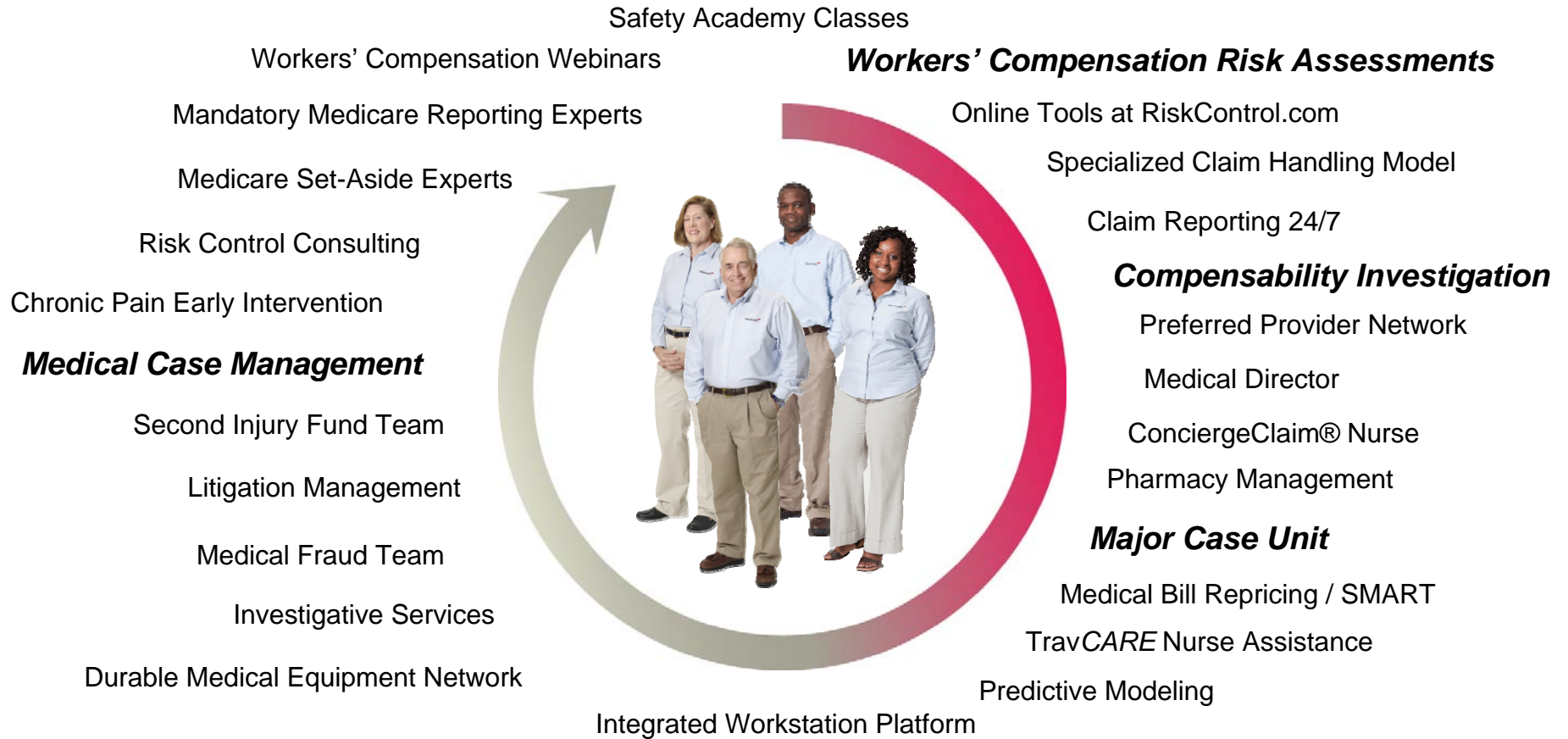
Claim and risk control combined with informed underwriting and pricing has led to consistently outperforming the industry over time



Workers' Compensation Tour

Led by: Jim Wucherpfennig, Vice President – Workers' Compensation Claim

Comprehensive Workers' Compensation Management



**Integrated risk control and claim management
improves outcomes**

Tour Stop 1 – Risk Control

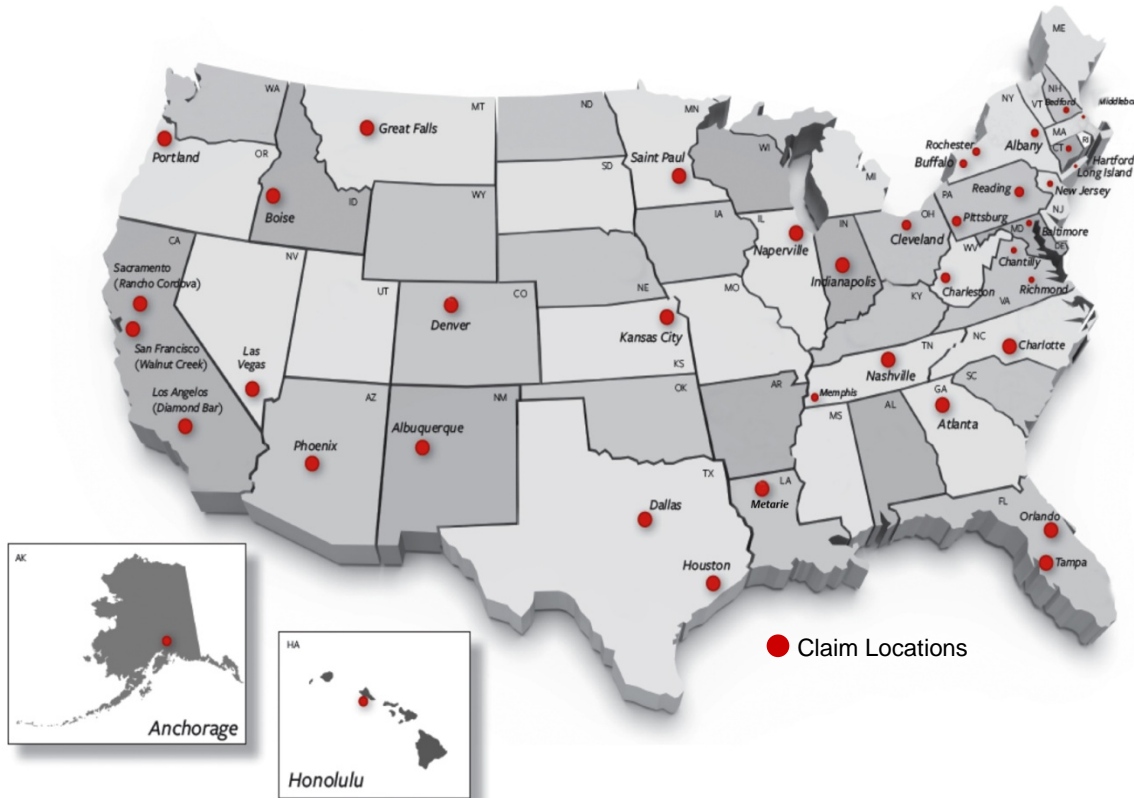
Key Points

- 750 safety professionals, 500 with extensive experience in workers' compensation
- Supports underwriting in risk selection and other insurance decisions
- Extensive resources – industry and coverage expertise, training, and virtual services including *riskcontrol.com*
- Investing in the science of controlling risk – Industrial Hygiene and Forensic Laboratory

The best claim is one that never happens

Workers' Compensation Claim Services

- Local presence – deep jurisdictional knowledge
- Specialized claim handling model
- 1,900 claim professionals, including 500 Registered Nurses, average 15 years of experience
- Deep functional expertise contributes to industry leading results
- Information advantage – robust managed care data
- Resolution focused
- Processes designed around customer experience
- Dedicated specialists in Fraud Detection, Risk Control, Legal and Subrogation



Local presence and specialized claim handling model drive better outcomes

Tour Stop 2 – Investigative Claim Unit

Key Points

- Specialized focus on investigation
- Compensability is one of the most fundamental decisions in the life of a claim
- In-house resources support our investigative process

Pay only what we owe

Medical Fraud

- Specialized protocols combat:
 - Pain management abuse
 - Hospital billing fraud – explanation of benefits
 - Prescription narcotics fraud and abuse
- Over 300 trained experts – 75% with law enforcement training

Medical fraud costs over \$75 billion a year in the U.S.¹

Subrogation (Third Party Recovery)

- Dedicated team of subrogation experts
- Industry leading outcomes
- Subrogation Workers' Compensation Evaluation Tool
 - Assists with evaluation of complex workers' compensation issues to determine appropriate settlement value
 - Patent application filed June 2010
- Aggregate product drug and device strategy
 - Focus on known and emerging trends in the areas of pharmaceuticals and medical devices to optimize recovery

2010 gross recovery rate exceeds industry benchmark by 20%¹

Staff Counsel Organization

- 46 law offices in 33 states – local focus with power of national firm
- 224 attorneys handling over 24,000 workers' compensation matters
- Staff counsel usage on workers' compensation matters lowers legal expense and claim cost regardless of case size
- Workers' compensation matters handled by staff counsel resolve faster than outside counsel on average
- Staff counsel legal expense on workers' compensation matters – 31% lower than outside counsel

Use of our staff counsel delivers proven results at significantly lower expense

Tour Stop 3 – Return-to-Work

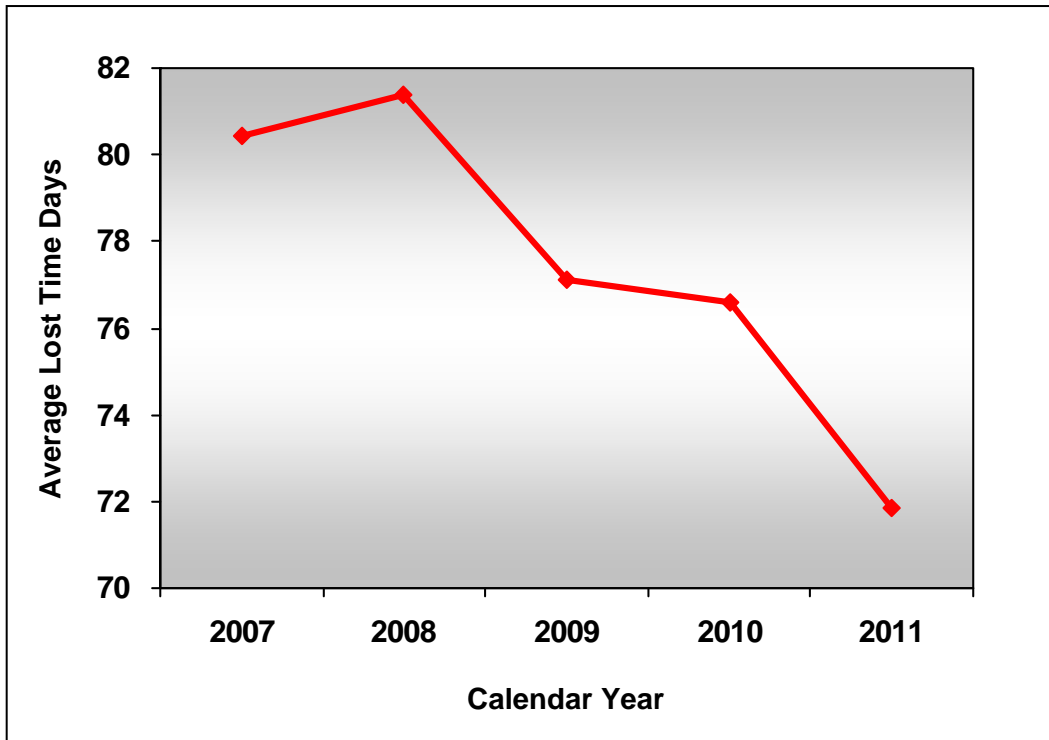
Key Points

- Specialized focus on return-to-work
- Predictive models and protocols assign registered nurses to claims only where they add value
- Claim and nurse professionals co-located for integrated service delivery
- Sophisticated proprietary tools to predict and manage return-to-work

Return-to-work focus while ensuring the appropriate level of medical care at the appropriate cost

Return-to-Work Outcomes

Travelers Actual Lost Time Days



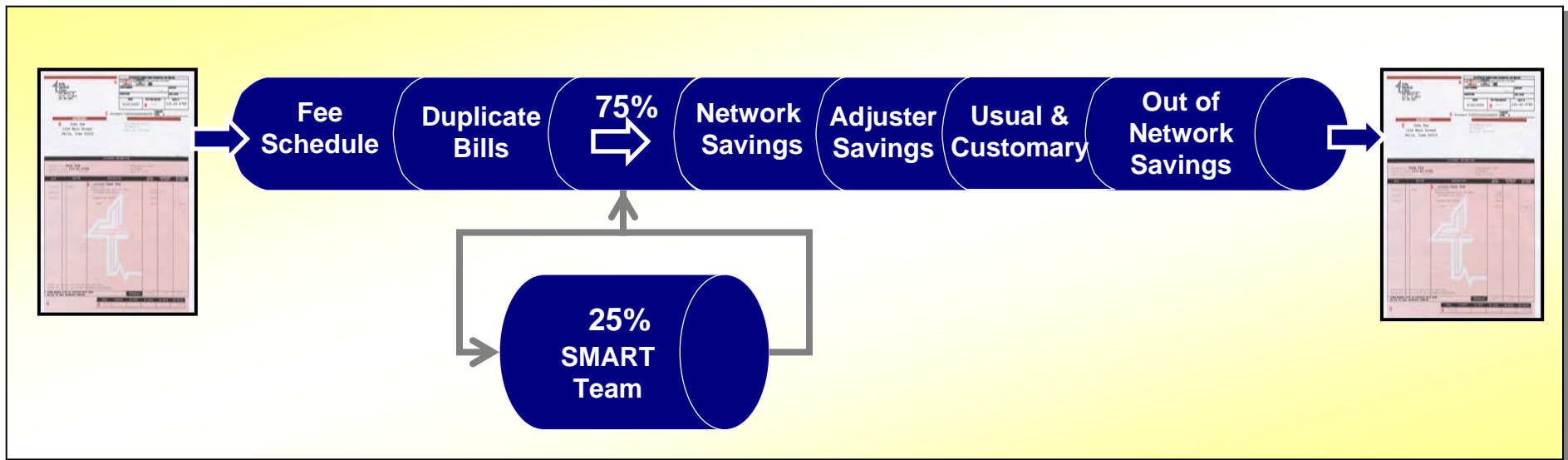
Lost time days trending down despite challenging economic conditions

- 47% of injured employees return to work within 14 days
- 65% within 30 days
- 81% within 60 days

Fewer lost time days positively impacts indemnity payout and customer productivity

Industry Leading Medical Cost Containment

- Approximately 80% of medical treatment occurs within our networks
- 84% pharmacy network penetration and other strategies result in a 47% cost reduction – 10% of medical paid vs. 14% for the industry¹
- Specialized Medical Audit Review Team (SMART) saved an additional 11% in 2011



Medical cost containment strategies deliver average savings of 60 cents per medical dollar billed

Tour Stop 4 – Critical Claim Unit

Key Points

- Catastrophic cases represent a small percentage of claim volume but a significant portion of payout
- Early intervention and specialized focus on catastrophic injuries positively impact the lives of injured workers
- Experience, expertise, and comprehensive resources for very difficult and high-exposure claims

Dedicated Major Case Unit contributes to recovery of the most critically injured employees while protecting payout

Predictive Modeling

- Pioneer in the development and use of predictive models
 - Nurse Triage
 - Return-to-work Target Dates
 - Subrogation Triage
 - Risk Control Triage
 - Early Intervention Chronic Pain
 - Recidivism
 - Pharmacy Intervention
 - Environmental Scans

**Proprietary models engage the
right resources at the right time**

Developing Our Capabilities Through the Years



1904
Safety Engineer Corps



1928
Safety Guard Patents



1990
Pharmacy



1996
Provider Networks



1998
Nurse Triage Patent



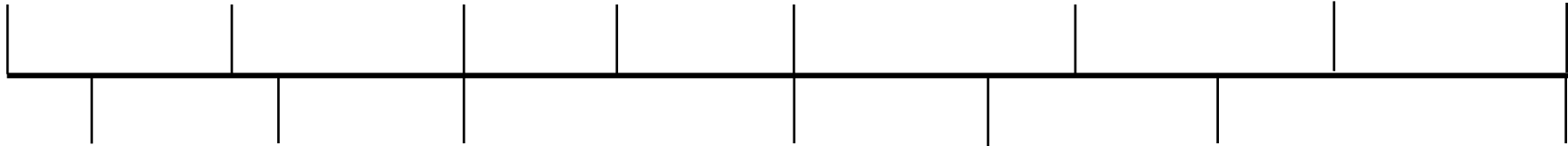
2003
Durable Medical Equipment



2008
Predictive Modeling Enhancements



2010
Virtual Mentoring Patent



1922
Rehab Clinic Patent



1986
Medical Bill Review



1990
Telephone Reporting



1998
TravComp® Model



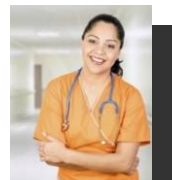
2001
Injured Worker Website



2006
Risk Control Website



2010
Concierge Claim® Nurse



Travelers Advantages

Compensability	⇒	Approximately 300 investigative services experts, local ICU resources, lead to accurate compensability decisions
Return-to-work	⇒	65% of injured workers return to work within 30 days
Medical management	⇒	Over 500 integrated registered nurses
Managed care database	⇒	Robust medical database – 5.8 million claims, 59 million medical bills and 249 million lines of service
Medical network	⇒	Approximately 80% medical provider network penetration; 84% pharmacy network penetration
Pharmacy	⇒	10% of total medical spend vs. 14% for industry ¹
Medical savings	⇒	Average 60 cents saved per medical dollar billed

Our advantages help customers achieve better loss outcomes

Key Points

- Best talent in the business
- World-class integration of disciplines – risk assessment and pricing
- Specialized workers' compensation model delivers industry-leading outcomes
- Execution excellence with a resolution focus
- Superior data and analytics – strategic advantage
- Consistent approach – every claim, every place, every time
- More customers are becoming advocates

Sustainable competitive advantages that we strive to maintain



Questions

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 workers’ compensation strategy, competitive advantages and future performance, our future financial condition and operating results, our share repurchase plans, expected margin improvement, the sufficiency of our reserves and our strategic initiatives, among others.

We caution investors that 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, such forward-looking statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: (1) catastrophe losses could materially and adversely affect our results of operations, financial position and/or liquidity, and could adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance; (2) during or following a period of financial market disruption or economic downturn, our business could be materially and adversely affected; (3) if actual claims exceed our claims and claim adjustment reserves, or if changes in the estimated level of our claims and claim adjustment reserves are necessary, our financial results could be materially and adversely affected; (4) our investment portfolio may suffer reduced returns or material realized or unrealized losses; (5) our business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation; (6) 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; (7) the effects of emerging claim and coverage issues on our business are uncertain; (8) the intense competition that we face could harm our ability to maintain or increase our business volumes and profitability; (9) 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; (10) we are exposed to credit risk in certain of our business operations; (11) within in the United States, our businesses are heavily regulated by the states in which it conducts business, including licensing and supervision, and changes in regulation may reduce our profitability and limit our growth; (12) changes in federal regulation could impose significant burdens on us and otherwise adversely affect our results; (13) 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; (14) the inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts would harm our ability to meet our obligations, pay future shareholder dividends or make future share repurchases; (15) disruptions to our relationships with our independent agents and brokers could adversely affect us; (16) our efforts to develop new products or expand in targeted markets may not be successful and may create enhanced risks; (17) any net deferred tax asset could be adversely affected by a reduction in the U.S. federal corporate income tax rate; (18) we may be adversely affected if our pricing and capital models provide materially different indications than actual results; (19) we are subject to a number of risks associated with our business outside the United States; (20) new regulations outside the U.S., including in the European Union, could adversely impact our results of operations and limit our growth; (21) our business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology; (22) if we experience difficulties with technology, data security and/or outsourcing relationships, our ability to conduct business could be negatively impacted; (23) acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences; (24) changes to existing accounting standards may adversely impact our reported results; (25) we could be adversely affected if our controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective; (26) our businesses may be adversely affected if we are unable to hire and retain qualified employees; (27) loss of or significant restriction on the use of credit scoring in the pricing and underwriting of Personal Insurance products could reduce our future profitability; and (28) our repurchase plans depend on a variety of factors, including our financial position, earnings, share price, catastrophe losses, funding of our qualified pension plan, capital requirements of our operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions), market conditions and other factors.

For a more detailed discussion of these factors, see the information under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent annual report on Form 10-K and quarterly report on 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 forward-looking statements.

In this presentation, 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 press release and financial supplement which are available on the Travelers website under the investor section (www.travelers.com) and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

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 and related financial supplement, and the accompanying webcast are publicly available on the Travelers website (www.travelers.com). This presentation should be read with the accompanying webcast and the related press release and financial supplement.

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The Travelers Companies, Inc.
