



The Travelers Companies, Inc.

Third Quarter 2012 Results

Long-Term Financial Strategy



Create Shareholder Value

Objective: Mid-Teens ROE *Over Time*

Third Quarter 2012 Overview

Net income per diluted share of \$2.21 and quarterly record operating income per diluted share of \$2.22

Operating return on equity and return on equity of 15.5% and 13.6%, respectively

- Operating and net income of \$867 million and \$864 million, respectively
- Underlying underwriting margin improvement continued across all segments
- Net investment income remained strong due to alternative investment performance
- Written rate gains were strong across all segments
- Total revenues of \$6.512 billion, up 2% from the prior year quarter
- Net written premiums of \$5.697 billion were approximately the same as the prior year quarter
- Book value per common share of \$67.81, up 11% from the prior year quarter and 9% from year-end 2011
- Repurchased \$350 million of common shares, and dividends were \$179 million

Consolidated Performance

(\$ in millions, except per share amounts, after-tax)

	Third Quarter			Year-to-Date		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 867	\$ 332	161 %	\$ 2,163	\$ 781	177 %
<i>per diluted share</i>	\$ 2.22	\$ 0.79	181 %	\$ 5.48	\$ 1.82	201 %
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 129	\$ 124		\$ 476	\$ 390	
Catastrophes, net of reinsurance	(59)	(394)		(525)	(1,601)	
Resolution of prior year tax matters	-	-		-	104	
Total Items	\$ 70	\$ (270)		\$ (49)	\$ (1,107)	
Loss and loss adjustment ratio	58.4 %	72.9 %		62.1 %	76.0 %	
Underwriting expense ratio	31.9	31.6		32.2	32.2	
GAAP combined ratio ¹	90.3 %	104.5 %	14.2 pts	94.3 %	108.2 %	13.9 pts
<i>GAAP combined ratio excluding incremental impact of direct to consumer initiative</i>	89.3 %	103.6 %		93.5 %	107.3 %	
Net favorable prior year reserve development	3.4	3.3		4.3	3.5	
Catastrophes, net of reinsurance	(1.6)	(10.8)		(4.9)	(14.9)	
Underlying GAAP combined ratio	92.1 %	97.0 %	4.9 pts	93.7 %	96.8 %	3.1 pts

Very Strong Financial Position

(\$ and shares in millions, except per share amounts)

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Debt	\$ 6,350	\$ 6,605
Common equity ¹	<u>22,590</u>	<u>21,606</u>
Total capital ¹	<u>\$ 28,940</u>	<u>\$ 28,211</u>
Debt-to-capital ¹	21.9%	23.4%
Common shares outstanding	382.0	392.8
Book value per common share	\$ 67.81	\$ 62.32
Adjusted book value per common share ¹	\$ 59.13	\$ 55.01
Tangible book value per common share ^{1, 2}	\$ 49.42	\$ 45.46
Statutory surplus	\$ 20,291	\$ 19,174
Holding company liquidity	\$ 2,042	\$ 2,387

Capital

- At or above target levels for all rating agencies
- Repurchased \$1.050 billion of common shares, and dividends were \$522 million through nine months of 2012

Leverage

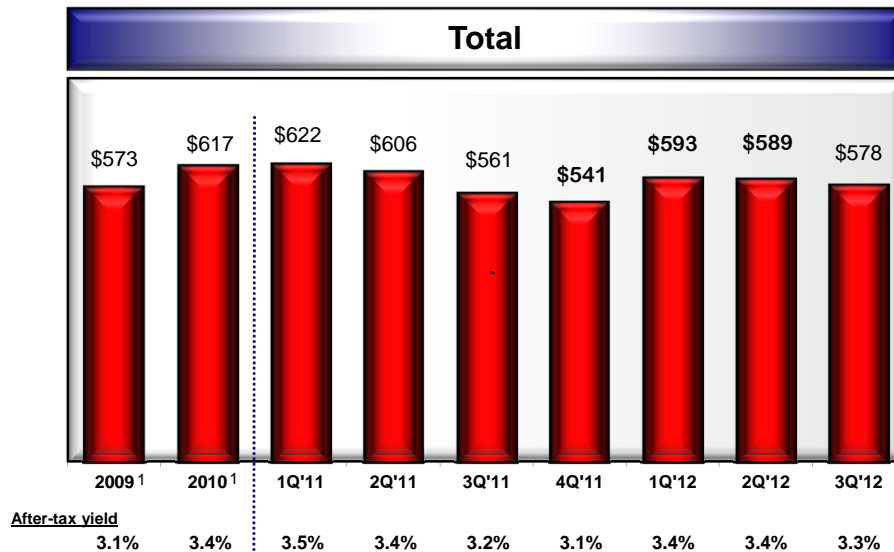
- Debt-to-capital ratio¹ of 21.9%, comfortably within target range
- Low level of maturing debt
 - 2013 \$500 million
 - 2014 -
 - 2015 \$400 million

Very high quality investment portfolio

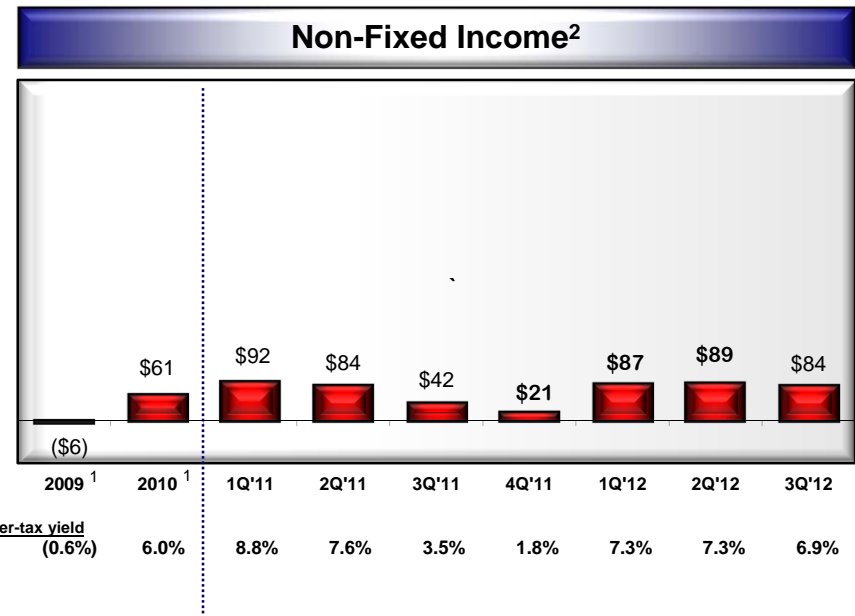
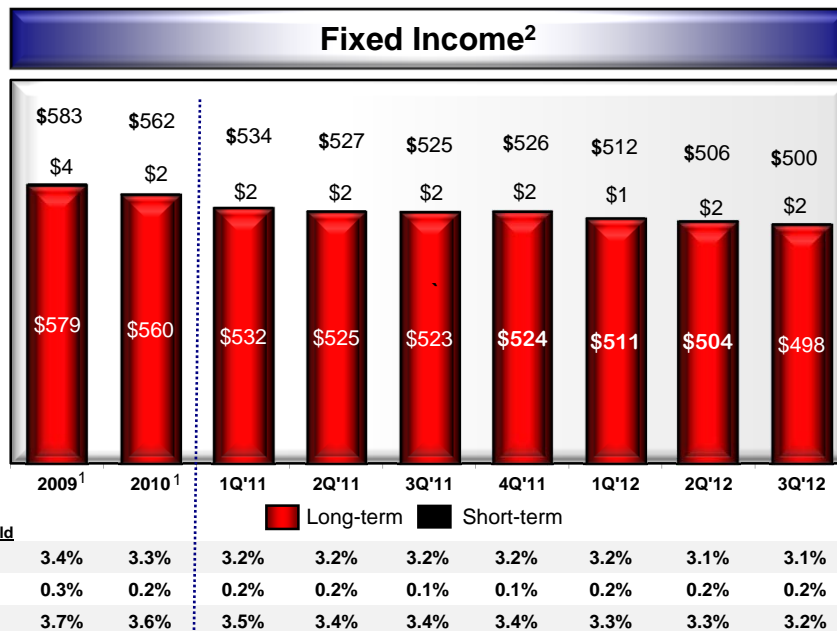
- Net unrealized investment gains of \$3.315 billion after tax (\$5.079 billion pre tax) at the end of September 2012

Net Investment Income

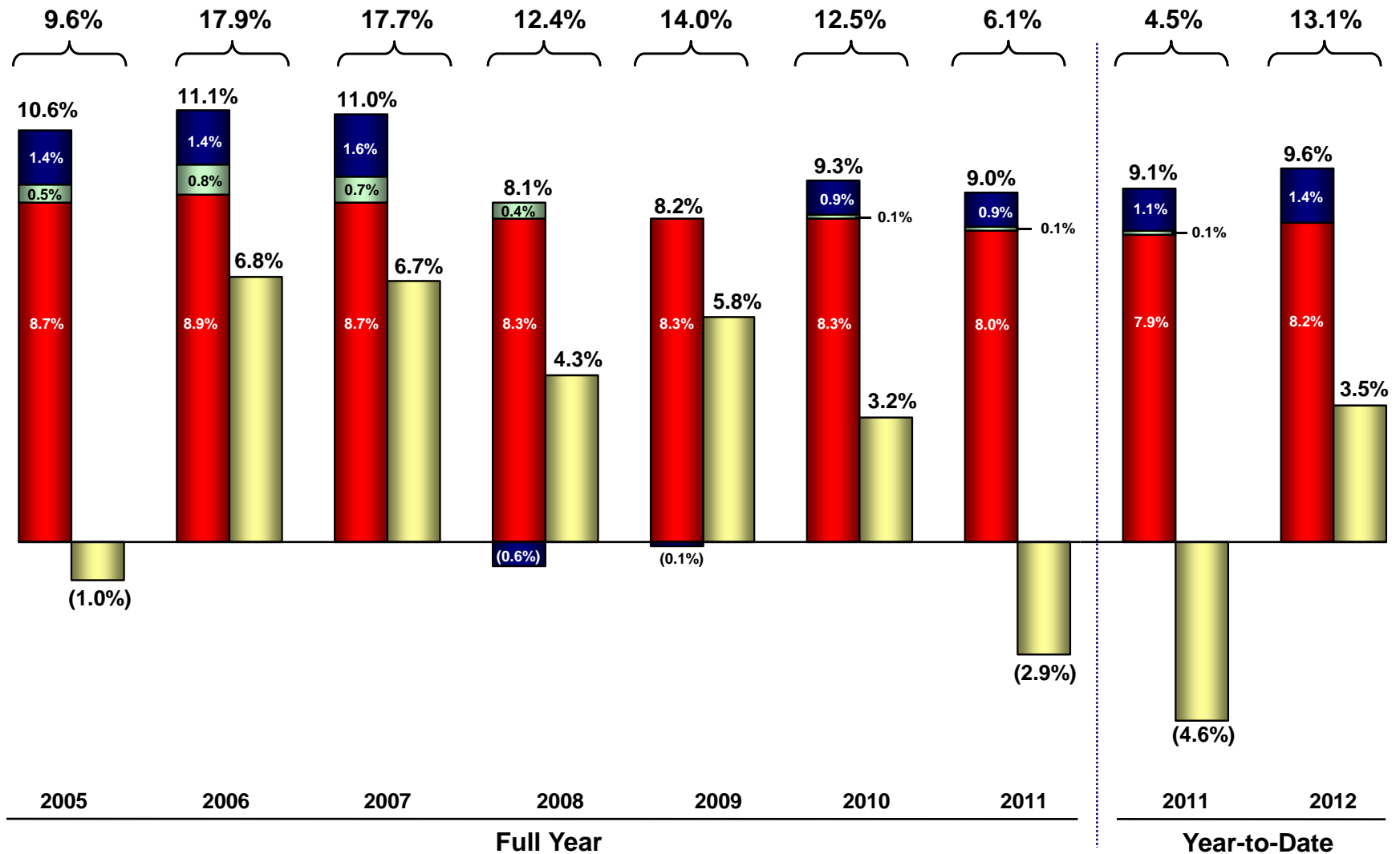
(\$ in millions, after-tax)



- Net investment income from the long-term fixed income portfolio declined modestly from a year ago due to lower reinvestment rates
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Non-fixed income portfolio had a strong quarter driven by real estate partnerships and hedge fund performance



Components of Operating Return on Equity



- 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 January 1, 2005 through September 30, 2012, average annual operating ROE was approximately 13.0%

Business Insurance

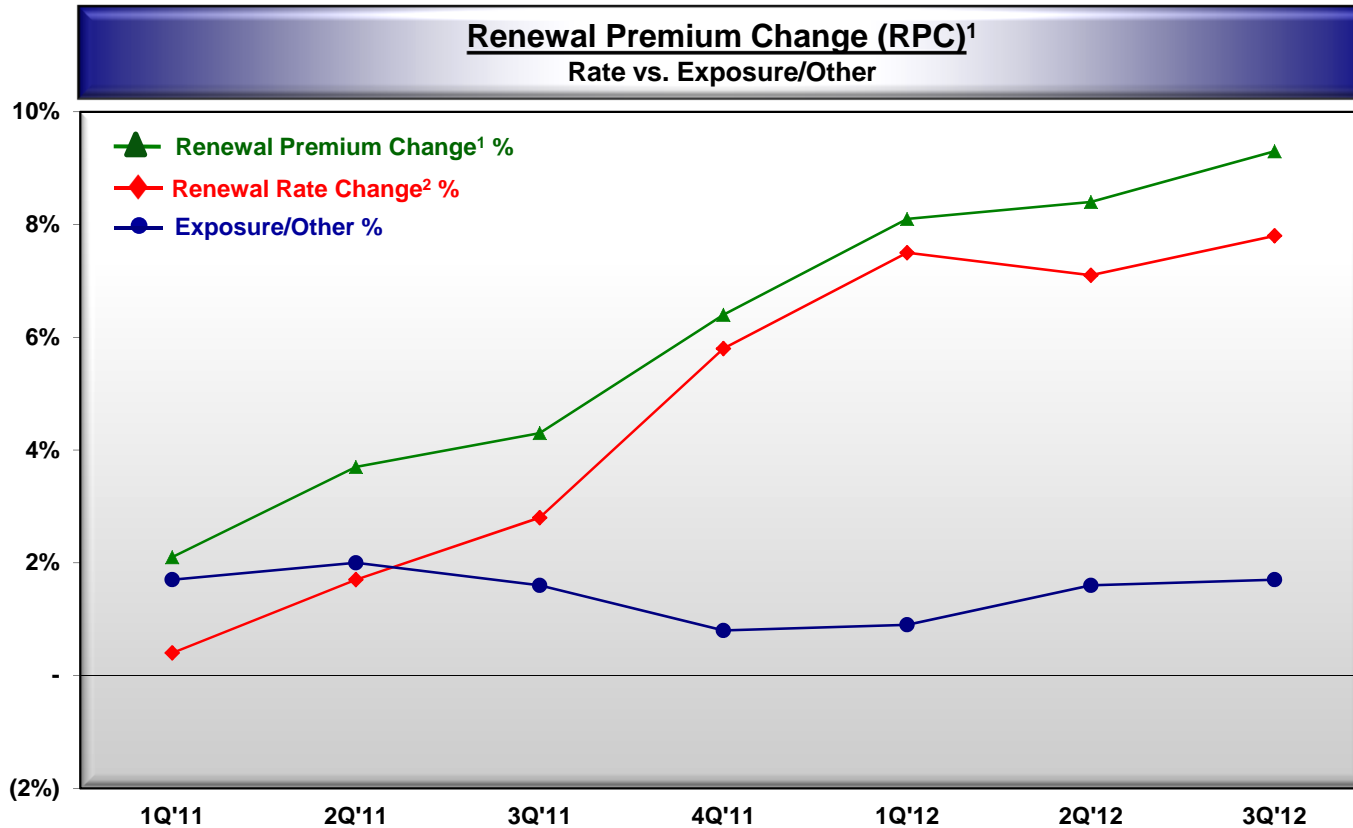
Performance

(\$ in millions)

	Third Quarter			Year-to-Date		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 543	\$ 294	85 %	\$ 1,517	\$ 909	67 %
Loss and loss adjustment ratio	62.3 %	74.8 %		63.7 %	76.3 %	
Underwriting expense ratio	31.0	30.6		31.6	31.5	
GAAP combined ratio ¹	93.3 %	105.4 %	12.1 pts	95.3 %	107.8 %	12.5 pts
Net favorable prior year reserve development	1.4	0.9		4.0	2.3	
Catastrophes, net of reinsurance	(1.7)	(6.8)		(4.1)	(11.9)	
Underlying GAAP combined ratio	93.0 %	99.5 %	6.5 pts	95.2 %	98.2 %	3.0 pts
Net Written Premiums						
Select Accounts	\$ 679	\$ 666	2 %	\$ 2,118	\$ 2,136	(1) %
Commercial Accounts	805	747	8	2,383	2,228	7
National Accounts	202	176	15	663	575	15
Industry-Focused Underwriting	671	649	3	1,955	1,856	5
Target Risk Underwriting	382	356	7	1,297	1,237	5
Specialized Distribution	222	231	(4)	672	686	(2)
Business Insurance Core	2,961	2,825	5 %	9,088	8,718	4 %
Business Insurance Other	1	1		-	7	
Total Business Insurance	\$ 2,962	\$ 2,826	5 %	\$ 9,088	\$ 8,725	4 %

Business Insurance (Ex. National Accounts)

Illustrative Business Statistics



(\$ in millions)

Retention	84%	81%	83%	79%	79%	80%	81%
RPC¹	2.1%	3.7%	4.3%	6.4%	8.1%	8.4%	9.3%
New Business	\$555	\$533	\$504	\$428	\$433	\$456	\$419

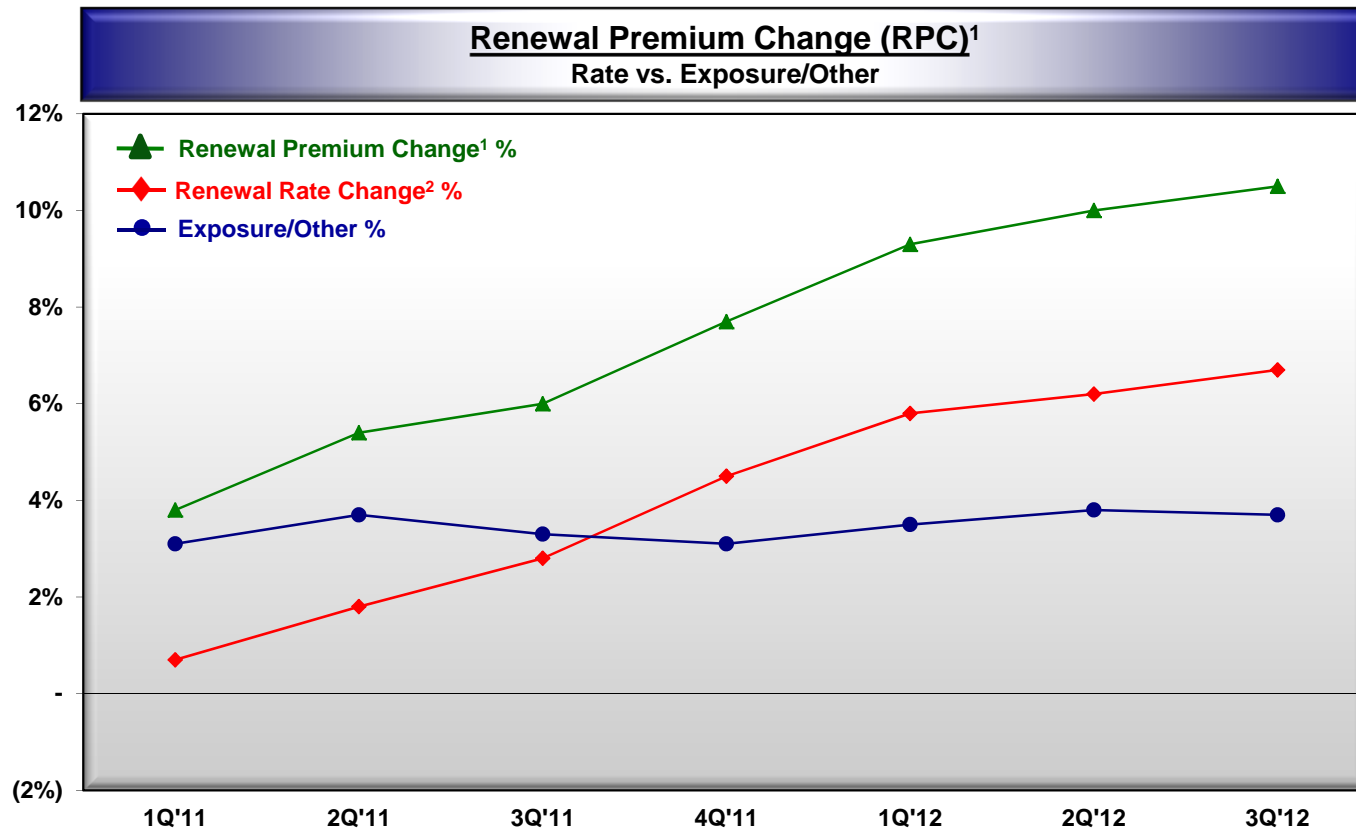
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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

Business Insurance: *Select Accounts*

Illustrative Business Statistics



(\$ in millions)

Retention	81%	80%	79%	76%	75%	76%	77%
RPC¹	3.8%	5.4%	6.0%	7.7%	9.3%	10.0%	10.5%
New Business	\$145	\$131	\$116	\$107	\$121	\$116	\$98

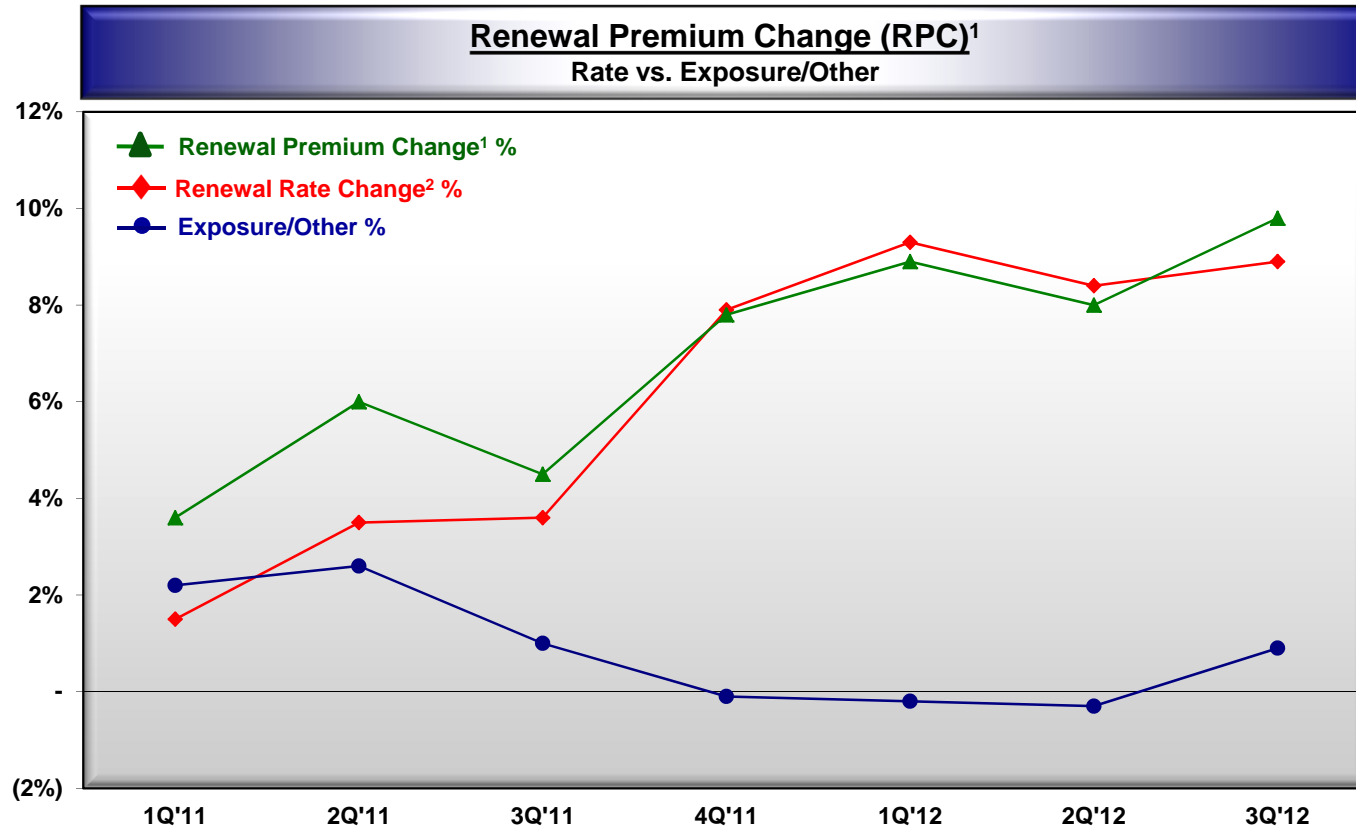
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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Business Insurance: *Commercial Accounts*

Illustrative Business Statistics



(\$ in millions)

Retention	88%	84%	86%	80%	81%	82%	85%
RPC¹	3.6%	6.0%	4.5%	7.8%	8.9%	8.0%	9.8%
New Business	\$161	\$139	\$136	\$101	\$107	\$102	\$105

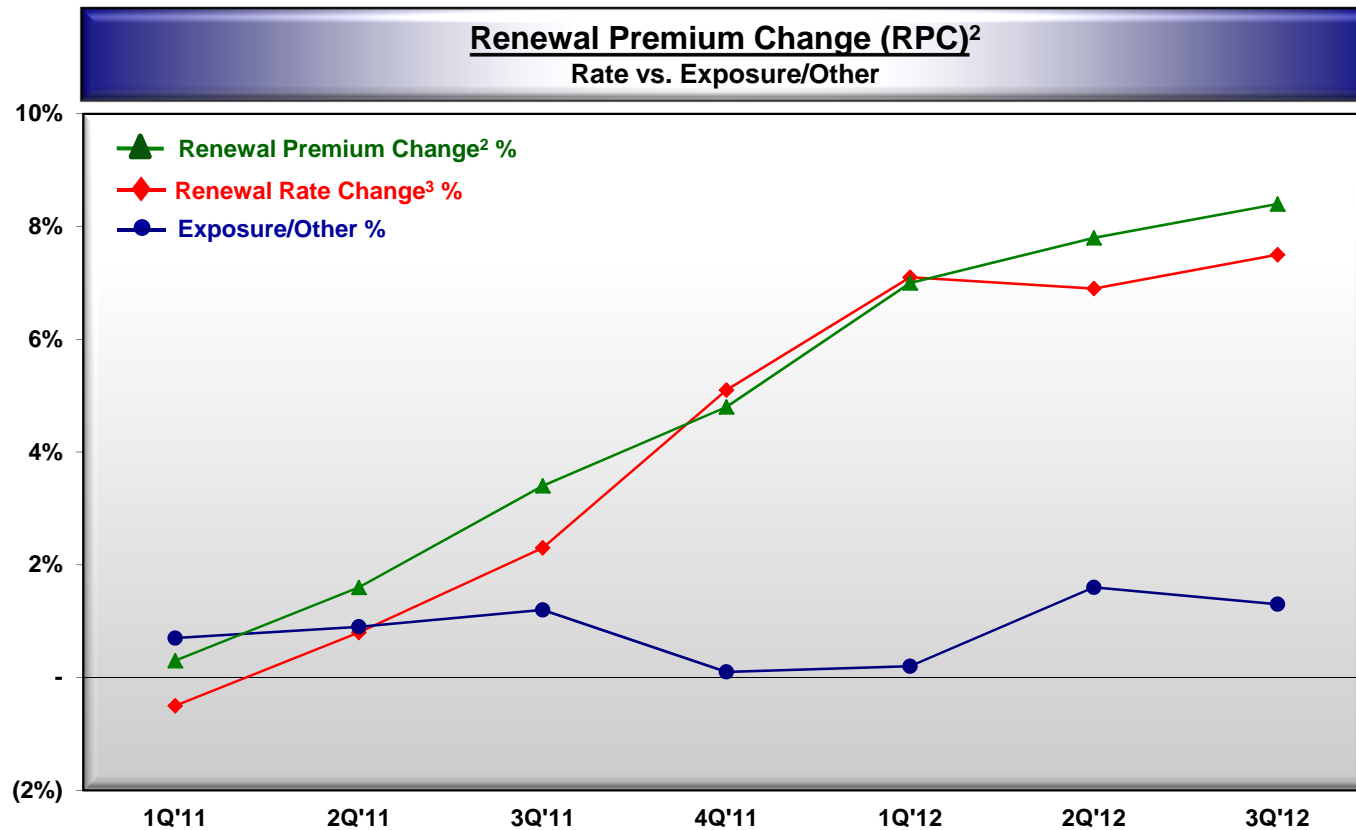
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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

Business Insurance: *Other Business Insurance*¹

Illustrative Business Statistics



(\$ in millions)

Retention	83%	81%	83%	79%	79%	80%	81%
RPC²	0.3%	1.6%	3.4%	4.8%	7.0%	7.8%	8.4%
New Business	\$249	\$263	\$252	\$220	\$204	\$238	\$217

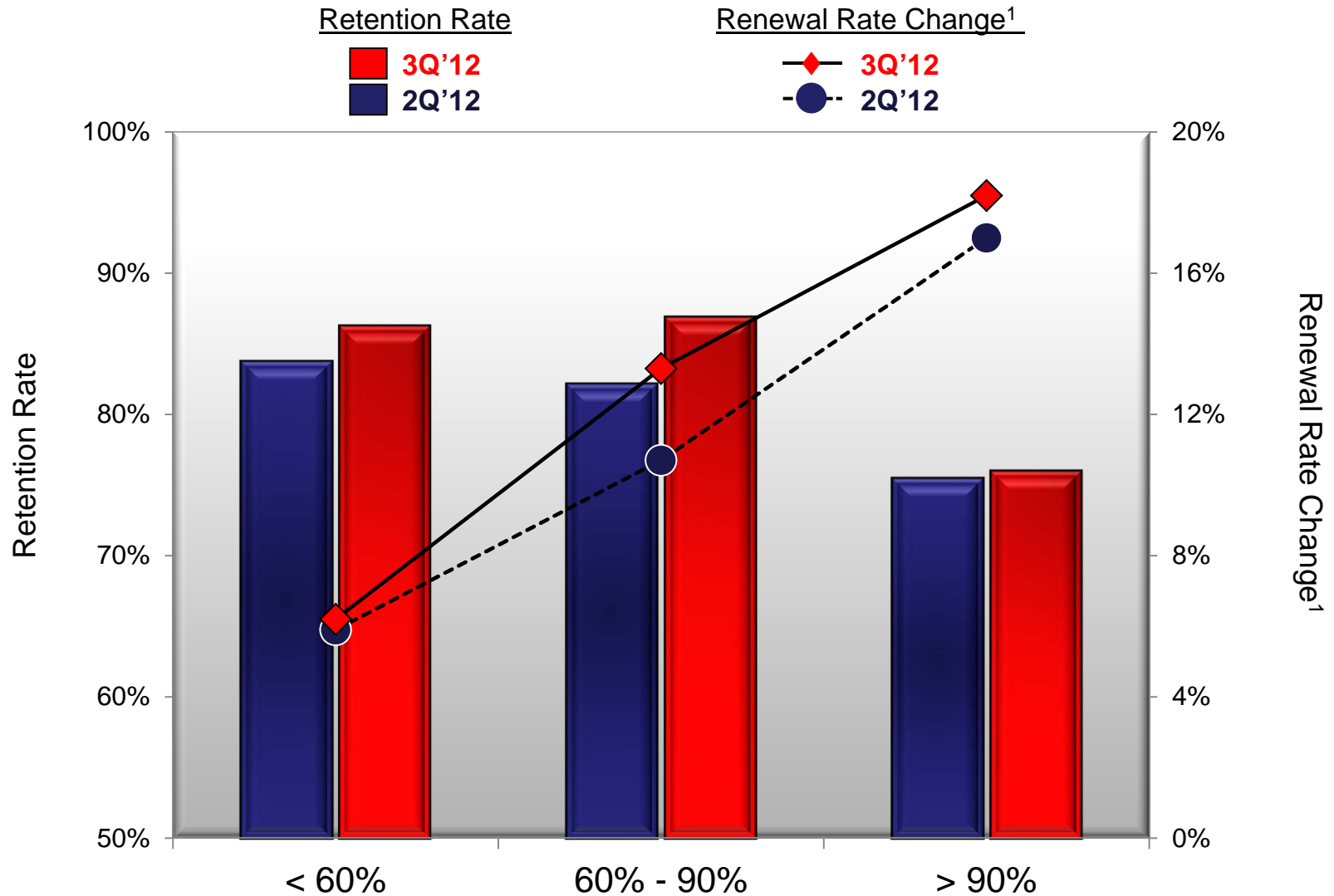
¹ Includes Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

² Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

³ Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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

Commercial Accounts: *Renewal Pricing Results*



Long-Term Loss Ratio Bands² – All Lines of Business

Financial, Professional & International Insurance

Performance

(\$ in millions)

	Third Quarter			Year-to-Date		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 180	\$ 211	(15) %	\$ 511	\$ 495	3 %
Loss and loss adjustment ratio	39.7 %	36.8 %		41.5 %	46.1 %	
Underwriting expense ratio	40.5	39.4		41.1	39.2	
GAAP combined ratio ¹	80.2 %	76.2 %	(4.0) pts	82.6 %	85.3 %	2.7 pts
Net favorable prior year reserve development	11.3	19.1		10.0	12.1	
Catastrophes, net of reinsurance	(0.1)	(0.4)		(0.2)	(1.6)	
Underlying GAAP combined ratio	91.4 %	94.9 %	3.5 pts	92.4 %	95.8 %	3.4 pts
Net Written Premiums						
Bond & Financial Products	\$ 529	\$ 538	(2) %	\$ 1,410	\$ 1,440	(2) %
International	200	270	(26)	763	871	(12)
Total FP&I	\$ 729	\$ 808	(10) %	\$ 2,173	\$ 2,311	(6) %
Total FP&I - Adjusted for the impact of foreign exchange rates			(9) %			(5) %

Financial, Professional & International Insurance

(\$ in millions)

Illustrative Business Statistics

	2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Surety							
Gross written premium	\$235	\$235	\$250	\$209	\$202	\$223	\$219
Management Liability¹							
Retention	84%	85%	87%	85%	87%	86%	86%
Renewal premium change ²	(0.1%)	0.2%	0.6%	0.9%	4.0%	5.1%	6.2%
New business	\$41	\$46	\$46	\$42	\$44	\$47	\$37
International ¹							
Retention	73%	73%	70%	75%	81%	80%	75%
Renewal premium change ²	(0.9%)	1.0%	2.2%	(0.5%)	(0.7%)	1.4%	(1.0%)
New business	\$50	\$69	\$55	\$51	\$51	\$56	\$36

¹ Excludes the surety line of business as surety products are generally sold on a non-recurring, project specific basis.

² 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.

Personal Insurance

Performance

(\$ in millions)

	Third Quarter			Year-to-Date		
	2012	2011	Change	2012	2011	Change
Operating income (loss)	\$ 206	\$ (108)	NM %	\$ 331	\$ (409)	NM %
Loss and loss adjustment ratio	59.8 %	85.3 %		68.0 %	88.3 %	
Underwriting expense ratio	29.9	29.7		29.4	30.1	
GAAP combined ratio ¹	89.7 %	115.0 %	25.3 pts	97.4 %	118.4 %	21.0 pts
<i>GAAP combined ratio excluding incremental impact of direct to consumer initiative</i>	86.8 %	112.5 %		95.1 %	115.8 %	
Net favorable prior year reserve development	3.4	0.3		2.5	1.9	
Catastrophes, net of reinsurance	(2.1)	(21.3)		(7.8)	(25.1)	
Underlying GAAP combined ratio	91.0 %	94.0 %	3.0 pts	92.1 %	95.2 %	3.1 pts
Net Written Premiums - Agency ²						
Automobile	\$ 906	\$ 946	(4) %	\$ 2,705	\$ 2,812	(4) %
Homeowners & Other	1,056	1,056	-	2,975	2,979	-
Total	\$ 1,962	\$ 2,002	(2) %	\$ 5,680	\$ 5,791	(2) %

¹ A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

² Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.

Note: NM = Not Meaningful.

Personal Insurance

Performance

	Third Quarter			Year-to-Date		
	2012	2011	Change	2012	2011	Change
Agency Automobile ¹						
Loss and loss adjustment ratio	74.1 %	77.5 %		73.6 %	75.4 %	
Underwriting expense ratio	25.3	25.8		25.5	26.2	
GAAP combined ratio²	99.4 %	103.3 %	3.9 pts	99.1 %	101.6 %	2.5 pts
Net favorable prior year reserve development	(0.9)	(2.2)		(0.2)	(0.6)	
Catastrophes, net of reinsurance	(0.4)	(2.1)		(1.8)	(3.0)	
Underlying GAAP combined ratio	98.1 %	99.0 %	0.9 pts	97.1 %	98.0 %	0.9 pts
Agency Homeowners & Other ¹						
Loss and loss adjustment ratio	46.4 %	92.3 %		62.4 %	100.0 %	
Underwriting expense ratio	29.0	28.8		29.1	29.3	
GAAP combined ratio²	75.4 %	121.1 %	45.7 pts	91.5 %	129.3 %	37.8 pts
Net favorable prior year reserve development	7.3	2.8		5.1	4.5	
Catastrophes, net of reinsurance	(3.6)	(39.6)		(13.5)	(46.3)	
Underlying GAAP combined ratio	79.1 %	84.3 %	5.2 pts	83.1 %	87.5 %	4.4 pts

Personal Insurance

(\$ in millions)

Illustrative Business Statistics

	2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<u>Agency Automobile</u> ¹							
Retention ^{2,3}	83%	83%	83%	83%	82%	81%	81%
Renewal premium change ^{3,4}	2.9%	3.4%	3.8%	4.2%	5.9%	5.4%	8.7%
PIF growth over prior year quarter	2%	1%	1%	-%	(1%)	(3%)	(6%)
New business	\$171	\$166	\$161	\$142	\$135	\$107	\$103
<u>Agency Homeowners & Other</u> ¹							
Retention ²	86%	86%	86%	86%	85%	84%	84%
Renewal premium change ⁴	8.6%	8.4%	8.0%	8.3%	9.6%	10.9%	12.4%
PIF growth over prior year quarter	3%	2%	1%	1%	-%	(2%)	(4%)
New business	\$100	\$118	\$120	\$99	\$78	\$74	\$69

¹ Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.

² The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

³ Statistics for standard voluntary automobile.

⁴ Each percentage 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.

Explanatory Note

This presentation contains, and management may make, “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, the sufficiency of our reserves and our strategic initiatives, among others.

We caution investors that such statements are subject to risks and uncertainties 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 an economic downturn;
- Changes to our claims or claim expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition;
- 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 or expanding in targeted markets;
- A reduction in the U.S. federal corporate income tax rate that adversely affects our net deferred tax assets;
- Risks associated with our use of pricing and capital models;
- Risks associated with our business outside of the United States, including regulatory risks;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data security and/or outsourcing relationships;
- Risks associated with acquisitions;
- Changes to existing accounting standards;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Losses of or restrictions placed on the use of credit scoring in the pricing and underwriting of insurance products; and
- Factors impacting the operation of our repurchase plans.

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.

Disclosure

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 that we have made available in connection with this presentation and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission. 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).

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

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The Travelers Companies, Inc.
