



The Travelers Companies, Inc.

Fourth Quarter and Full Year 2012 Results

Long-Term Financial Strategy



Create Shareholder Value

Objective: Mid-Teens ROE *Over Time*

Fourth Quarter and Full Year 2012 Overview

Fourth quarter net and operating income per diluted share of \$0.78 and \$0.72, respectively, compared to \$1.51 and \$1.48 in the prior year quarter

- Net and operating income of \$304 million and \$278 million
 - Return on equity and operating return on equity of 4.7% and 5.0%
 - Total revenues of \$6.477 billion, up 2% from the prior year quarter
 - GAAP combined ratio of 105.4%, an increase of 9.5 points from the prior year quarter
 - Net favorable prior year reserve development of \$222 million pre-tax (\$146 million after-tax), compared to \$126 million pre-tax (\$83 million after-tax) in the prior year quarter
 - Catastrophe losses of \$1.054 billion pre-tax (\$689 million after-tax), compared to \$102 million pre-tax (\$68 million after-tax) in the prior year quarter
 - Underlying GAAP combined ratio (which excludes net favorable prior year reserve development and catastrophe losses) of 90.7%, an improvement of 5.7 points from the prior year quarter
 - Net investment income of \$556 million after-tax (\$689 million pre-tax), up slightly from the prior year quarter
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Full year net and operating income per diluted share of \$6.30 and \$6.21, respectively, compared to \$3.36 and \$3.28 in the prior year

- Net and operating income of \$2.473 billion and \$2.441 billion
 - Return on equity and operating return on equity of 9.8% and 11.0%
 - Total revenues of \$25.740 billion, up 1% from prior year
 - GAAP combined ratio of 97.1%, an improvement of 8.0 points from the prior year
 - Net favorable prior year reserve development of \$940 million pre-tax (\$622 million after-tax), compared to \$715 million pre-tax (\$473 million after-tax) in the prior year
 - Catastrophe losses of \$1.862 billion pre-tax (\$1.214 billion after-tax), compared to \$2.562 billion pre-tax (\$1.669 billion after-tax) in the prior year
 - Underlying GAAP combined ratio of 93.0%, an improvement of 3.7 points from the prior year
 - Net investment income of \$2.316 billion after-tax (\$2.889 billion pre-tax), down slightly from the prior year
-

Fourth quarter and full year net written premiums of \$5.385 billion and \$22.447 billion, up 2% and 1%, respectively, from prior year period

Book value per common share of \$67.31, up 8% from year-end 2011 after \$1.450 billion of common share repurchases and \$700 in dividends

Consolidated Performance

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

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 278	\$ 609	(54) %	\$ 2,441	\$ 1,390	76 %
<i>per diluted share</i>	\$ 0.72	\$ 1.48	(51) %	\$ 6.21	\$ 3.28	89 %
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 146	\$ 83		\$ 622	\$ 473	
Catastrophes, net of reinsurance	(689)	(68)		(1,214)	(1,669)	
Resolution of prior year tax matters	-	-		-	104	
Total Items	\$ (543)	\$ 15		\$ (592)	\$ (1,092)	
Loss and loss adjustment ratio	73.0 %	63.7 %		64.9 %	72.9 %	
Underwriting expense ratio	32.4	32.2		32.2	32.2	
GAAP combined ratio ¹	105.4 %	95.9 %	(9.5) pts	97.1 %	105.1 %	8.0 pts
<i>GAAP combined ratio excluding incremental impact of direct to consumer initiative</i>	<i>104.6 %</i>	<i>95.1 %</i>		<i>96.3 %</i>	<i>104.2 %</i>	
Net favorable prior year reserve development	4.0	2.3		4.2	3.2	
Catastrophes, net of reinsurance	(18.7)	(1.8)		(8.3)	(11.6)	
Underlying GAAP combined ratio	90.7 %	96.4 %	5.7 pts	93.0 %	96.7 %	3.7 pts

Very Strong Financial Position

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Debt	\$ 6,350	\$ 6,605
Common equity ¹	<u>22,302</u>	<u>21,606</u>
Total capital ¹	<u>\$ 28,652</u>	<u>\$ 28,211</u>
Debt-to-capital ¹	22.2%	23.4%
Common shares outstanding	377.4	392.8
Book value per common share	\$ 67.31	\$ 62.32
Adjusted book value per common share ¹	\$ 59.09	\$ 55.01
Tangible book value per common share ^{1, 2}	\$ 49.29	\$ 45.46
Statutory surplus	\$ 20,048	\$ 19,174
Holding company liquidity	\$ 2,034	\$ 2,387

Capital

- At or above target levels for all rating agencies
- Repurchased \$1.450 billion of common shares, and dividends were \$700 million in 2012

Leverage

- Debt-to-capital ratio¹ of 22.2%, comfortably within target range
- Low level of maturing debt
 - 2013 \$500 million
 - 2014 -
 - 2015 \$400 million

Very high quality investment portfolio

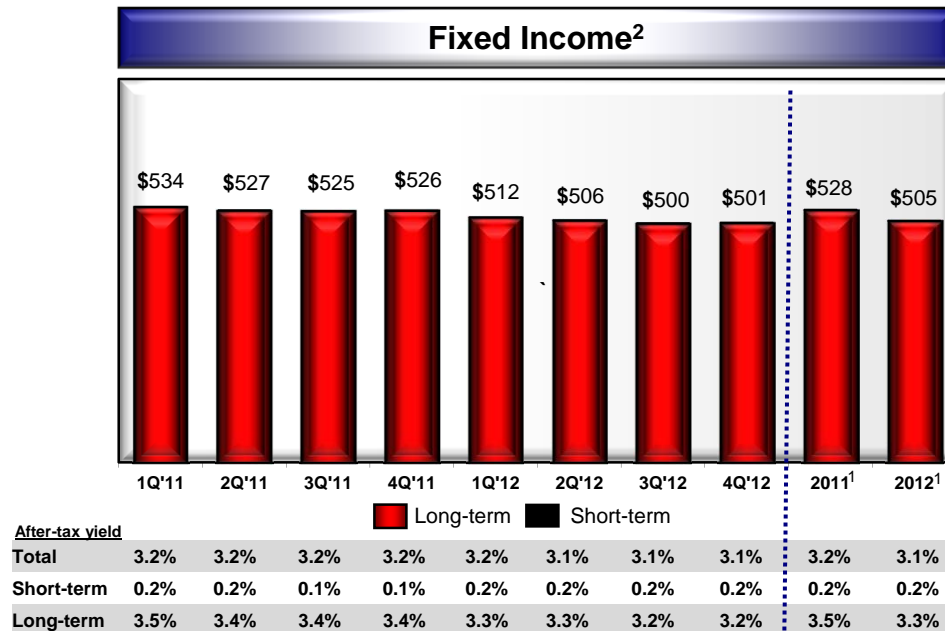
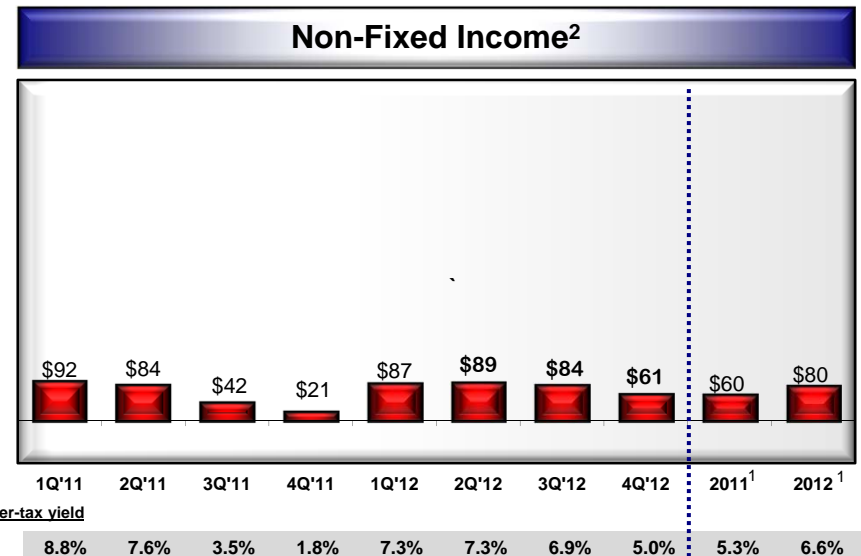
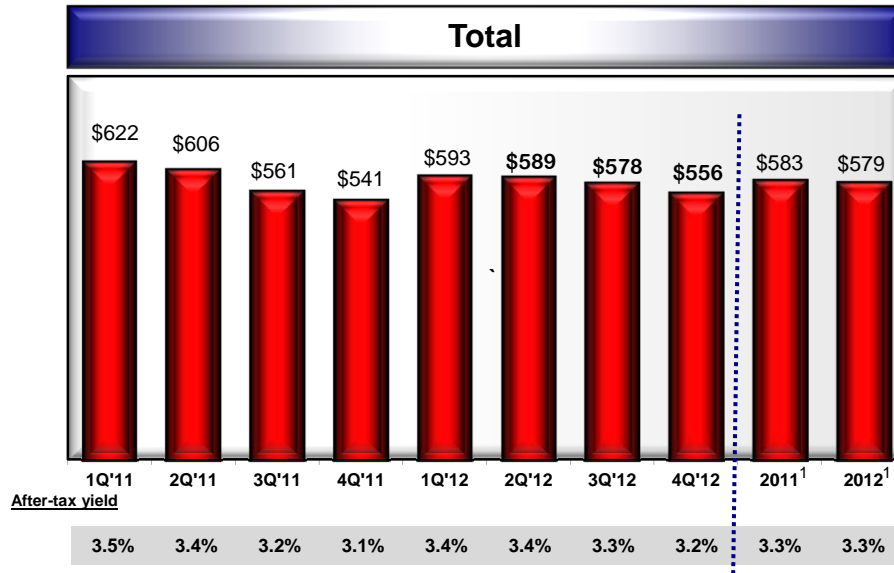
- Net unrealized investment gains of \$3.103 billion after-tax (\$4.761 billion pre-tax) at year-end 2012

Net Investment Income

(\$ in millions, after-tax)

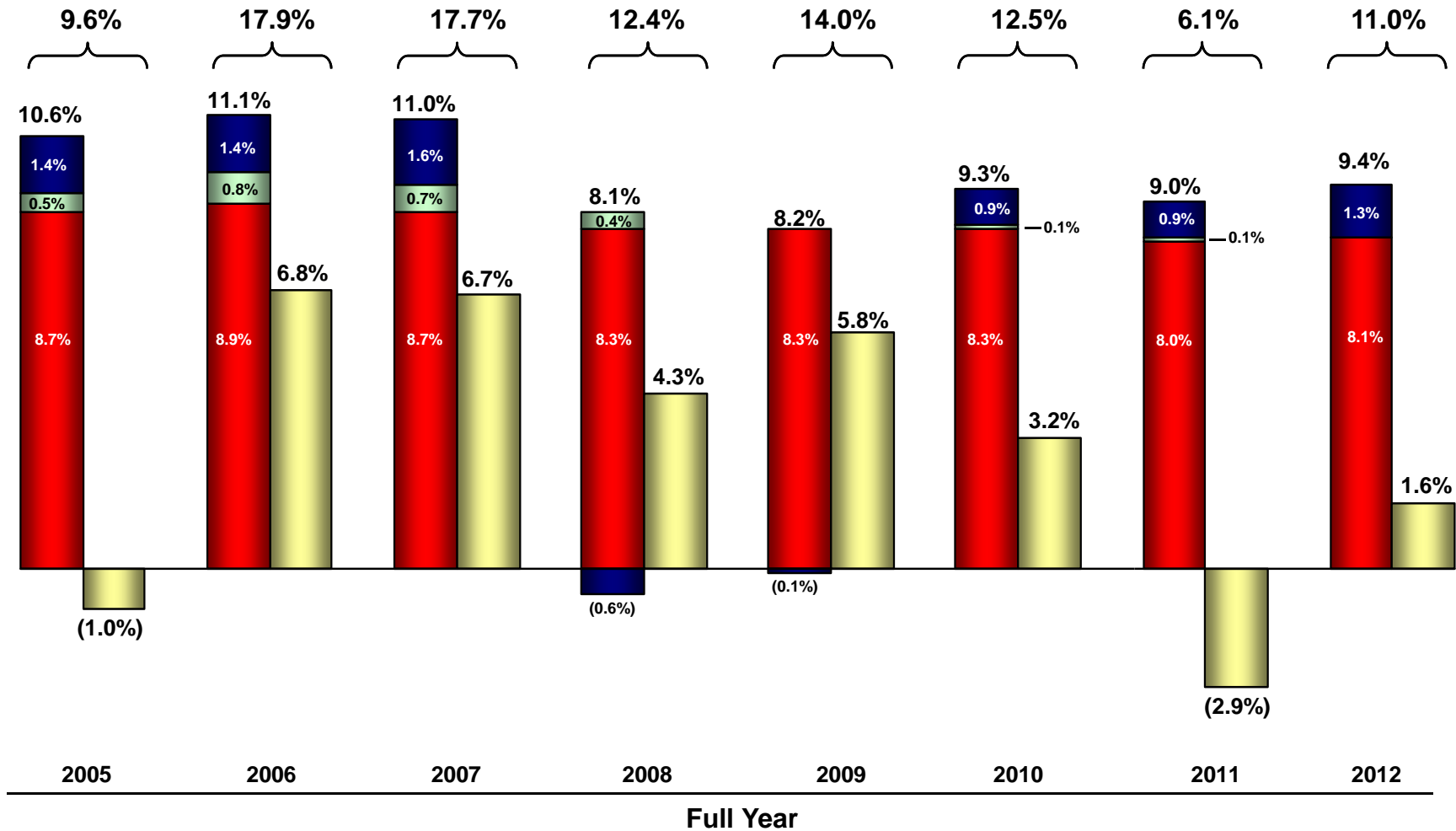
Commentary 4Q 2012

- Net investment income from the long-term fixed income portfolio declined modestly from the prior year quarter due to lower reinvestment rates, as expected
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Net investment income from the non-fixed income portfolio was driven by private equity performance



¹ 2011 and 2012 data represents quarterly average
² Excludes investment expenses

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 December 31, 2012, average annual operating ROE was approximately 12.8%

Business Insurance

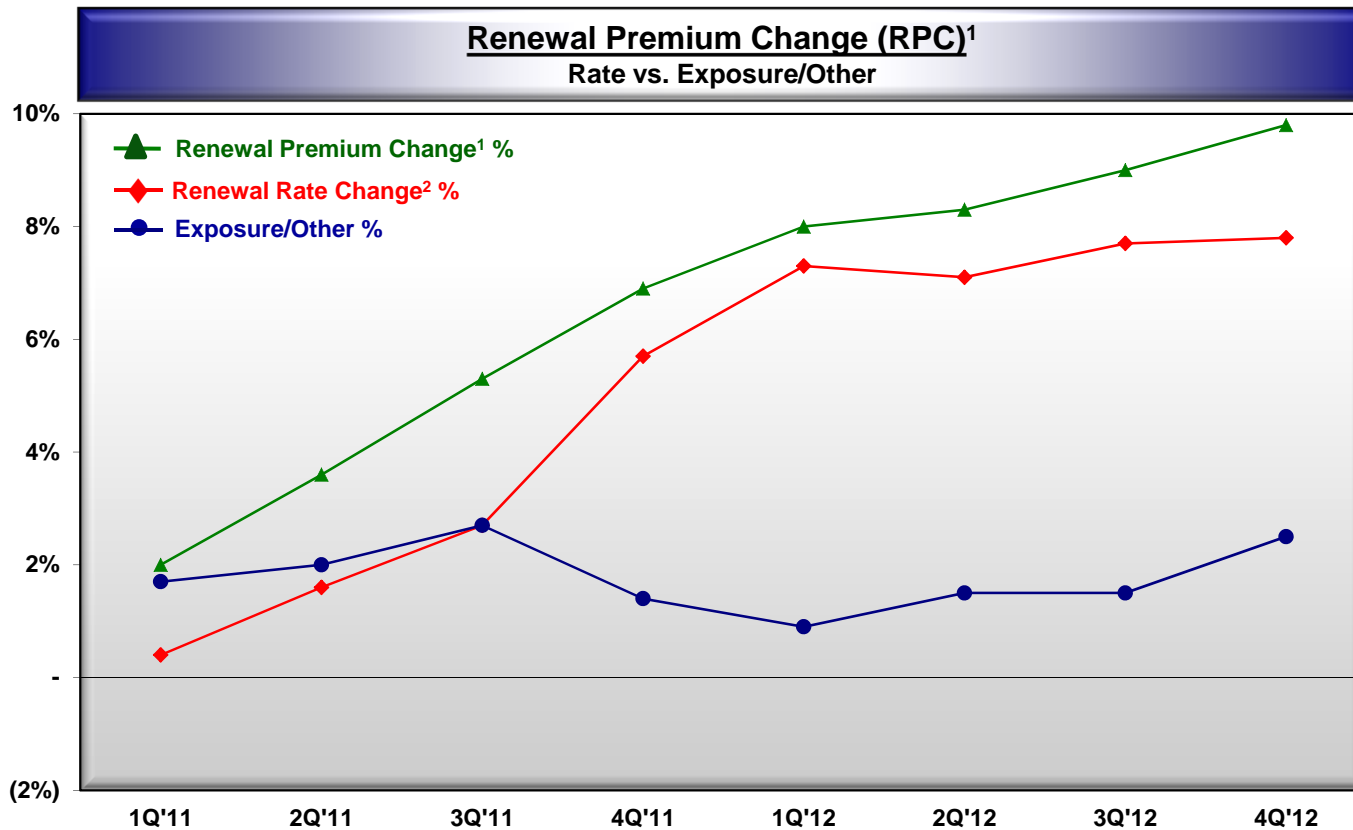
Performance

(\$ in millions)

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 326	\$ 445	(27) %	\$ 1,843	\$ 1,354	36 %
Loss and loss adjustment ratio	72.2 %	64.1 %		65.9 %	73.1 %	
Underwriting expense ratio	31.3	31.7		31.5	31.6	
GAAP combined ratio ¹	103.5 %	95.8 %	(7.7) pts	97.4 %	104.7 %	7.3 pts
Net favorable prior year reserve development	4.0	1.7		4.0	2.2	
Catastrophes, net of reinsurance	(14.7)	(0.5)		(6.8)	(9.0)	
Underlying GAAP combined ratio	92.8 %	97.0 %	4.2 pts	94.6 %	97.9 %	3.3 pts
Net Written Premiums						
Select Accounts	\$ 657	\$ 648	1 %	\$ 2,775	\$ 2,784	- %
Commercial Accounts	718	662	8	3,101	2,890	7
National Accounts	244	207	18	907	782	16
Industry-Focused Underwriting	599	551	9	2,554	2,407	6
Target Risk Underwriting	369	350	5	1,666	1,587	5
Specialized Distribution	198	194	2	870	880	(1)
Business Insurance Core	2,785	2,612	7 %	11,873	11,330	5 %
Business Insurance Other	(1)	3		(1)	10	
Total Business Insurance	\$ 2,784	\$ 2,615	6 %	\$ 11,872	\$ 11,340	5 %

Business Insurance (Ex. National Accounts)

Illustrative Business Statistics



(\$ in millions)

Retention	84%	81%	83%	78%	79%	80%	81%	80%
RPC¹	2.0%	3.6%	5.3%	6.9%	8.0%	8.3%	9.0%	9.8%
New Business	\$555	\$533	\$513	\$429	\$432	\$457	\$426	\$439

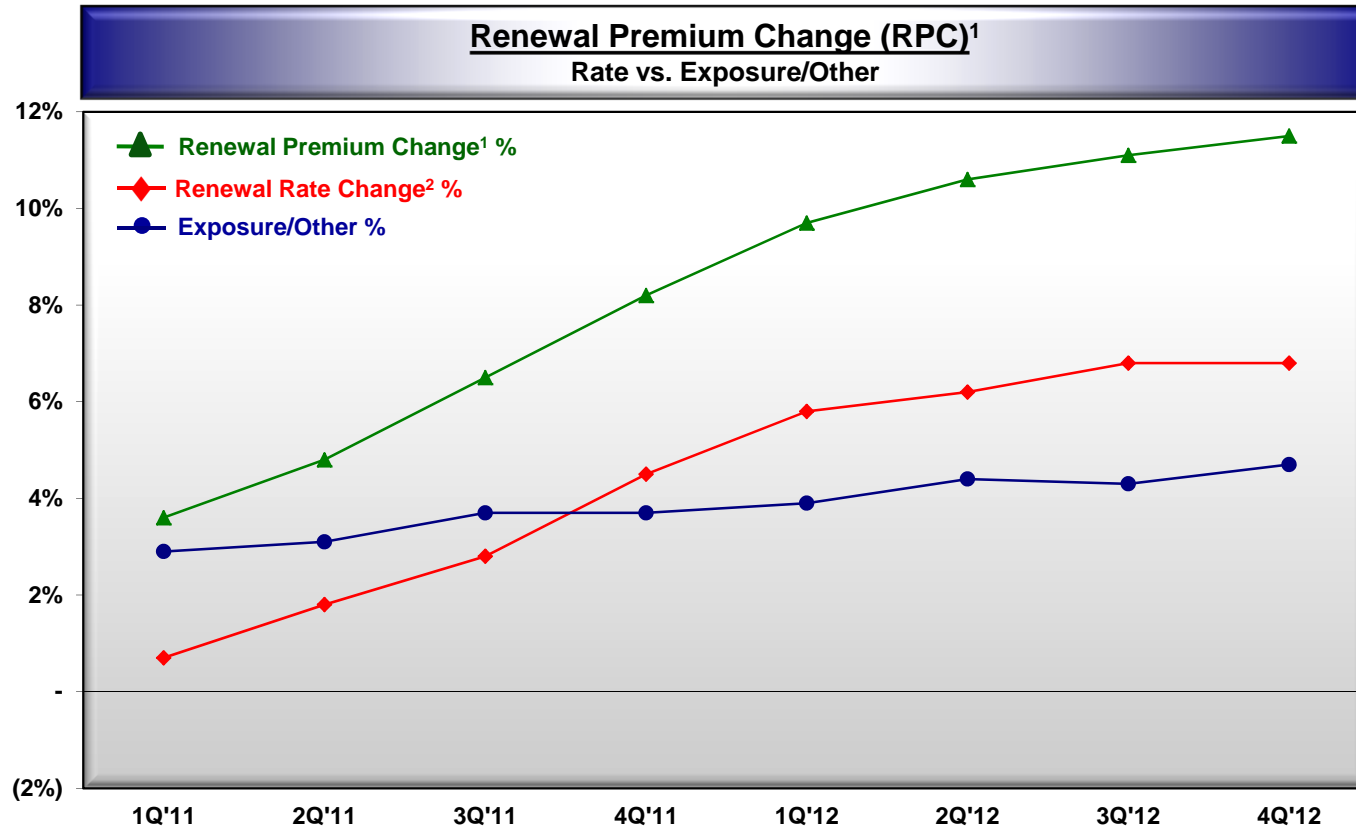
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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%	78%
RPC¹	3.6%	4.8%	6.5%	8.2%	9.7%	10.6%	11.1%	11.5%
New Business	\$145	\$130	\$119	\$107	\$120	\$117	\$100	\$92

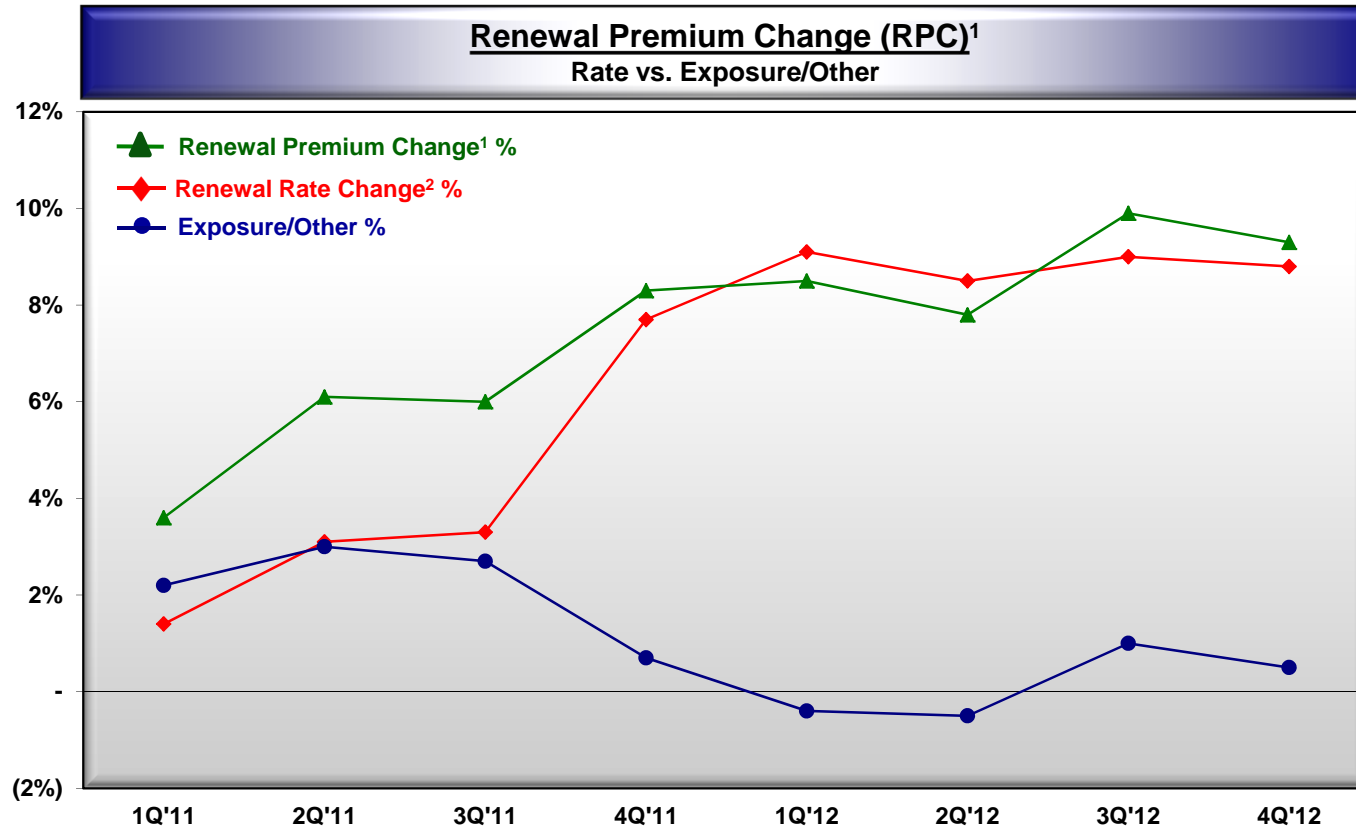
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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: *Commercial Accounts*

Illustrative Business Statistics



(\$ in millions)

Retention	88%	84%	86%	80%	81%	82%	85%	82%
RPC¹	3.6%	6.1%	6.0%	8.3%	8.5%	7.8%	9.9%	9.3%
New Business	\$161	\$139	\$139	\$101	\$106	\$102	\$106	\$128

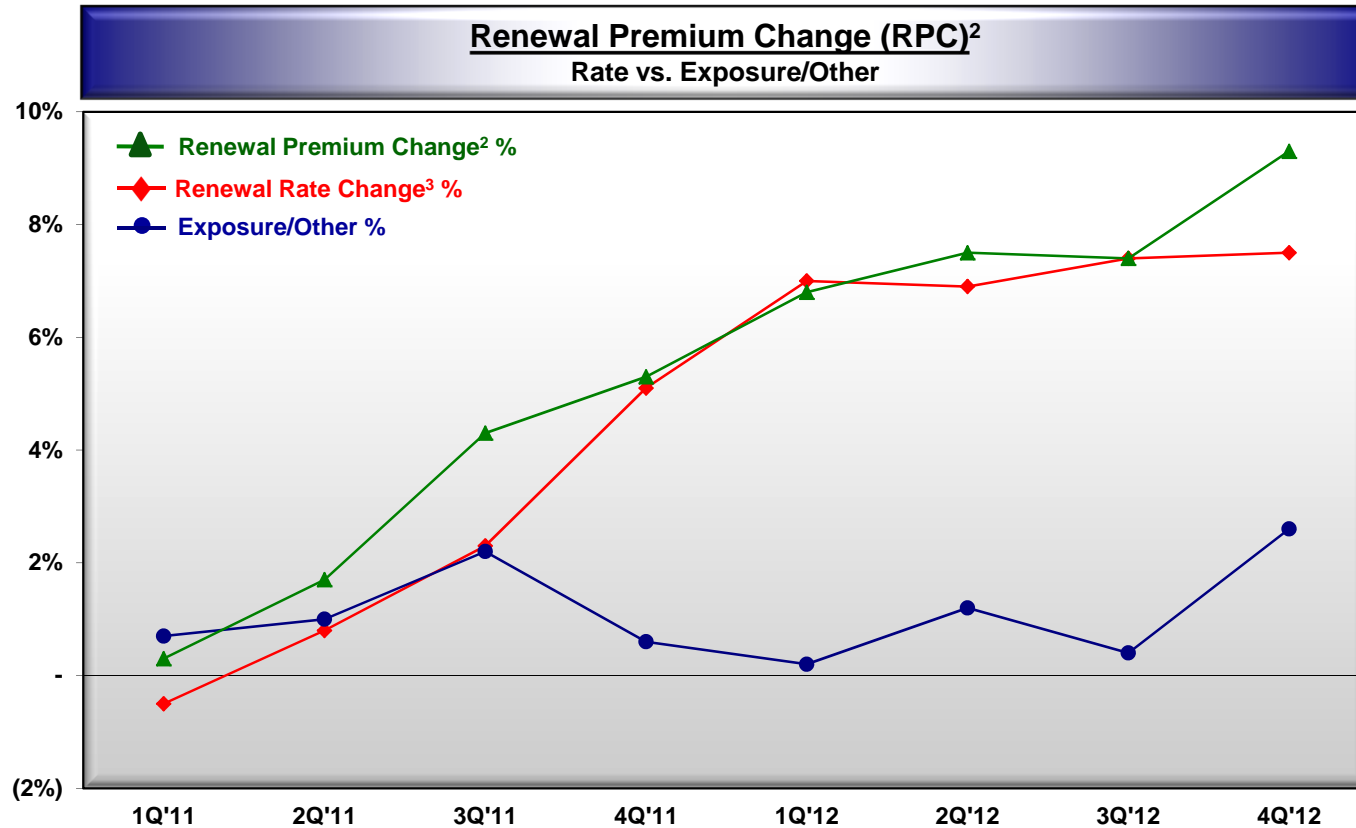
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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%	80%	82%	79%	79%	80%	81%	80%
RPC ²	0.3%	1.7%	4.3%	5.3%	6.8%	7.5%	7.4%	9.3%
New Business	\$249	\$264	\$255	\$221	\$205	\$237	\$220	\$218

Financial, Professional & International Insurance

Performance

(\$ in millions)

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Operating income	\$ 131	\$ 152	(14) %	\$ 642	\$ 647	(1) %
Loss and loss adjustment ratio	46.6 %	47.3 %		42.8 %	46.4 %	
Underwriting expense ratio	41.7	40.0		41.3	39.4	
GAAP combined ratio ¹	88.3 %	87.3 %	(1.0) pts	84.1 %	85.8 %	1.7 pts
Net favorable prior year reserve development	9.1	9.0		9.8	11.3	
Catastrophes, net of reinsurance	(5.9)	(2.2)		(1.7)	(1.7)	
Underlying GAAP combined ratio	91.5 %	94.1 %	2.6 pts	92.2 %	95.4 %	3.2 pts
Net Written Premiums						
Bond & Financial Products	\$ 514	\$ 513	- %	\$ 1,924	\$ 1,953	(1) %
International	294	278	6	1,057	1,149	(8)
Total FP&I	\$ 808	\$ 791	2 %	\$ 2,981	\$ 3,102	(4) %
Total FP&I - Adjusted for the impact of foreign exchange rates			2 %			(4) %

Financial, Professional & International Insurance

(\$ in millions)

Illustrative Business Statistics

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<u>Surety</u>								
Gross written premium	\$235	\$235	\$250	\$209	\$202	\$223	\$219	\$194
<u>Management Liability¹</u>								
Retention	84%	85%	87%	85%	87%	86%	85%	85%
Renewal premium change ²	-%	0.3%	0.7%	1.4%	4.2%	4.9%	6.0%	6.3%
New business	\$41	\$46	\$46	\$42	\$44	\$47	\$36	\$35
<u>International ¹</u>								
Retention	73%	73%	70%	75%	80%	81%	76%	79%
Renewal premium change ²	(2.0%)	1.0%	3.8%	(0.9%)	(1.1%)	1.7%	(1.5%)	(1.8%)
New business	\$49	\$69	\$53	\$52	\$52	\$57	\$40	\$57

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)

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Operating income (loss)	\$ (114)	\$ 77	NM %	\$ 217	\$ (332)	NM %
Loss and loss adjustment ratio	85.0 %	69.9 %		72.3 %	83.5 %	
Underwriting expense ratio	30.2	29.9		29.6	30.1	
GAAP combined ratio ¹	115.2 %	99.8 %	(15.4) pts	101.9 %	113.6 %	11.7 pts
<i>GAAP combined ratio excluding incremental impact of direct to consumer initiative</i>	113.1 %	97.4 %		99.6 %	111.1 %	
Net favorable prior year reserve development	1.8	0.3		2.3	1.5	
Catastrophes, net of reinsurance	(30.1)	(3.7)		(13.4)	(19.6)	
Underlying GAAP combined ratio	86.9 %	96.4 %	9.5 pts	90.8 %	95.5 %	4.7 pts
Net Written Premiums - Agency ²						
Automobile	\$ 822	\$ 876	(6) %	\$ 3,527	\$ 3,688	(4) %
Homeowners & Other	934	944	(1)	3,909	3,923	-
Total	\$ 1,756	\$ 1,820	(4) %	\$ 7,436	\$ 7,611	(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: Agency Automobile¹

Performance

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Loss and loss adjustment ratio	89.0 %	82.9 %		77.4 %	77.3 %	
Underwriting expense ratio	26.5	26.0		25.7	26.1	
GAAP combined ratio²	115.5 %	108.9 %	(6.6) pts	103.1 %	103.4 %	0.3 pts
Net unfavorable prior year reserve development	(1.9)	(3.7)		(0.6)	(1.4)	
Catastrophes, net of reinsurance	(7.9)	(1.0)		(3.3)	(2.5)	
Underlying GAAP combined ratio - as reported	105.7 %	104.2 %	(1.5) pts	99.2 %	99.5 %	0.3 pts
<u>Adjustments</u>						
Current year re-estimation ³	(1.5)	0.3				
Unfavorable reserve development on 2011 accident year		0.9			0.7	
Underlying GAAP combined ratio - as adjusted	104.2 %	105.4 %	1.2 pts	99.2 %	100.2 %	1.0 pts

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

² A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

³ Re-estimation of current year loss ratios for the first three quarters of respective year.

Personal Insurance: Agency Homeowners & Other¹

Performance

	Fourth Quarter			Full Year		
	2012	2011	Change	2012	2011	Change
Loss and loss adjustment ratio	81.4 %	57.4 %		67.2 %	89.1 %	
Underwriting expense ratio	29.5	29.3		29.2	29.3	
GAAP combined ratio²	110.9 %	86.7 %	(24.2) pts	96.4 %	118.4 %	22.0 pts
Net favorable prior year reserve development	4.9	4.0		5.0	4.4	
Catastrophes, net of reinsurance	(50.3)	(6.3)		(22.7)	(36.1)	
Underlying GAAP combined ratio	65.5 %	84.4 %	18.9 pts	78.7 %	86.7 %	8.0 pts

Personal Insurance

(\$ in millions)

Illustrative Business Statistics

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<u>Agency Automobile</u> ¹								
Retention ^{2,3}	83%	83%	83%	83%	82%	81%	80%	81%
Renewal premium change ^{3,4}	2.9%	3.4%	3.8%	4.1%	5.8%	6.9%	8.3%	9.1%
PIF growth over prior year quarter	2%	1%	1%	-%	(1%)	(3%)	(6%)	(9%)
New business	\$171	\$166	\$161	\$142	\$135	\$107	\$103	\$85
<u>Agency Homeowners & Other</u> ¹								
Retention ²	86%	86%	86%	86%	85%	84%	84%	84%
Renewal premium change ⁴	8.6%	8.4%	8.0%	8.2%	9.5%	10.8%	12.1%	13.2%
PIF growth over prior year quarter	3%	2%	1%	1%	-%	(2%)	(4%)	(7%)
New business	\$100	\$118	\$120	\$99	\$78	\$74	\$69	\$51

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 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 any net deferred tax assets we may have;
- Other changes in tax laws that adversely impact our investment portfolio or operating results;
- 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).

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The Travelers Companies, Inc.
