



# The Travelers Companies, Inc.

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## First Quarter 2014 Results

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# Long-Term Financial Strategy



## **CREATE SHAREHOLDER VALUE**

Objective: Mid-Teens Operating ROE *Over Time*

# First Quarter 2014 Overview

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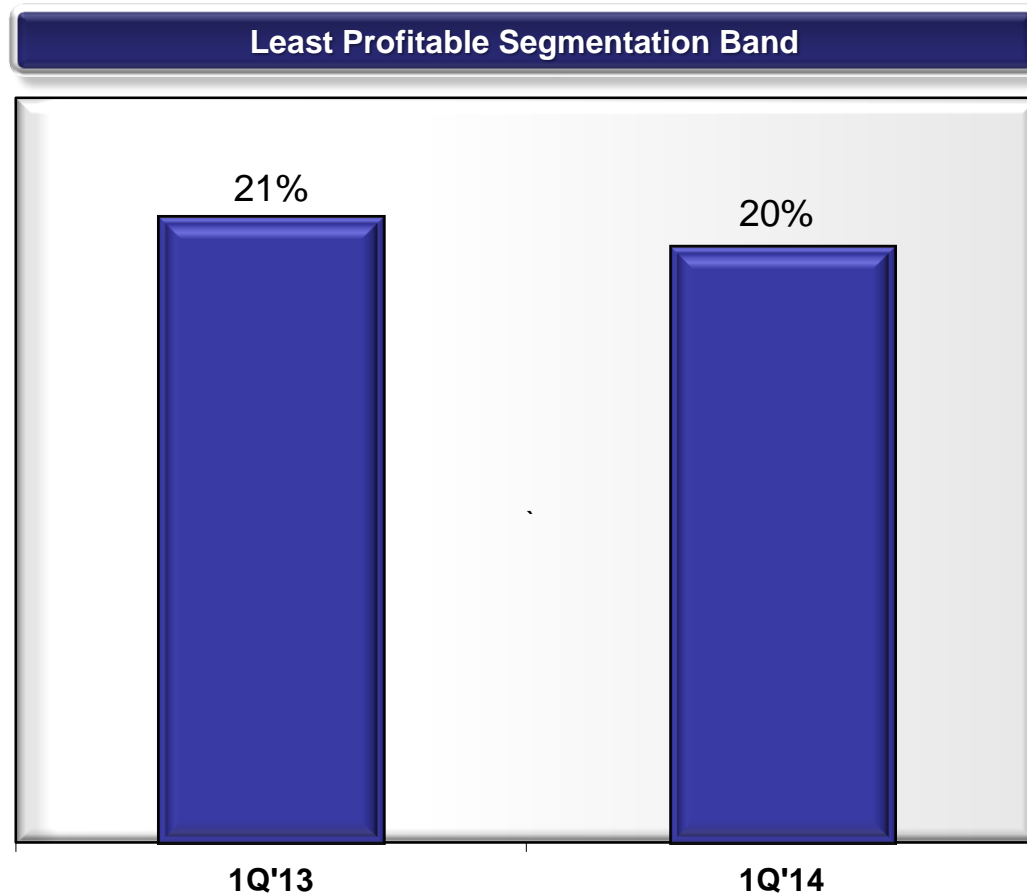
**Record quarterly net and operating income per diluted share of \$2.95, up 27% and 28%, respectively, from prior year quarter**

**Return on equity and operating return on equity of 16.8% and 17.8%, respectively**

- Net and operating income of \$1.052 billion, up 17% and 19%, respectively, from prior year quarter.
- Increase primarily attributable to higher underlying underwriting gains and higher investment income.
- Total revenues of \$6.708 billion, up 6% from prior year quarter.
- Written rate gains exceeded expected loss cost trends in all segments.
- Record quarterly net written premiums of \$5.873 billion, up 5% from prior year quarter primarily reflecting the impact of Dominion of Canada, acquired in November 2013.
- Total capital returned to shareholders of \$882 million in the quarter, including \$705 million in share repurchases.
- Increases in book value per share of 4% to \$73.06 and adjusted book value per share (excludes after-tax net unrealized investment gains) of 3% to \$68.25 from year-end 2013.

# Business Insurance: *Middle Market*<sup>1</sup>

## Renewal Rate Change



**Retained Accounts**

**289**

**216**

# Consolidated Performance

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

	First Quarter		
	2014	2013	Change
<b>Operating income</b>	<b>\$ 1,052</b>	<b>\$ 887</b>	<b>19 %</b>
<i>per diluted share</i>	<i>\$ 2.95</i>	<i>\$ 2.31</i>	<i>28 %</i>
<u>Included the following items:</u>			
Net favorable prior year reserve development	\$ 190	\$ 154	
Catastrophes, net of reinsurance	(97)	(65)	
<b>Total Items</b>	<b>\$ 93</b>	<b>\$ 89</b>	
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Loss and loss adjustment ratio	56.0 %	56.2 %	
Underwriting expense ratio	29.7	32.3	
<b>GAAP combined ratio <sup>1</sup></b>	<b>85.7 %</b>	<b>88.5 %</b>	<b>2.8 pts</b>
Net favorable prior year reserve development	5.1	4.1	
Catastrophes, net of reinsurance	(2.6)	(1.8)	
<b>Underlying GAAP combined ratio</b>	<b>88.2 %</b>	<b>90.8 %</b>	<b>2.6 pts</b>

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

# Very Strong Financial Position

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

	March 31, 2014	December 31, 2013
Debt	\$ 6,347	\$ 6,346
Common equity <sup>1</sup>	23,713	23,474
Total capital <sup>1</sup>	<u>\$ 30,060</u>	<u>\$ 29,820</u>
Debt-to-capital <sup>1</sup>	21.1%	21.3%
Common shares outstanding	347.5	353.5
Book value per common share	\$ 73.06	\$ 70.15
Adjusted book value per common share <sup>1</sup>	\$ 68.25	\$ 66.41
Tangible book value per common share <sup>1, 2</sup>	\$ 57.00	\$ 55.29
Statutory surplus	\$ 21,440	\$ 21,123
Holding company liquidity	\$ 1,637	\$ 1,587

## Capital

- At or above target levels for all rating agencies.
- Repurchased 8.5 million shares at a total cost of \$705 million in the first quarter, including 7.8 million shares at a total cost of \$650 million, under the company's existing share repurchase authorization.
- Dividends were \$177 million in the first quarter.

## Leverage

- Debt-to-capital ratio<sup>1</sup> of 21.1%, comfortably within target range.
- Low level of maturing debt.
  - 2015 \$400 million
  - 2016 \$400 million
  - 2017 \$450 million

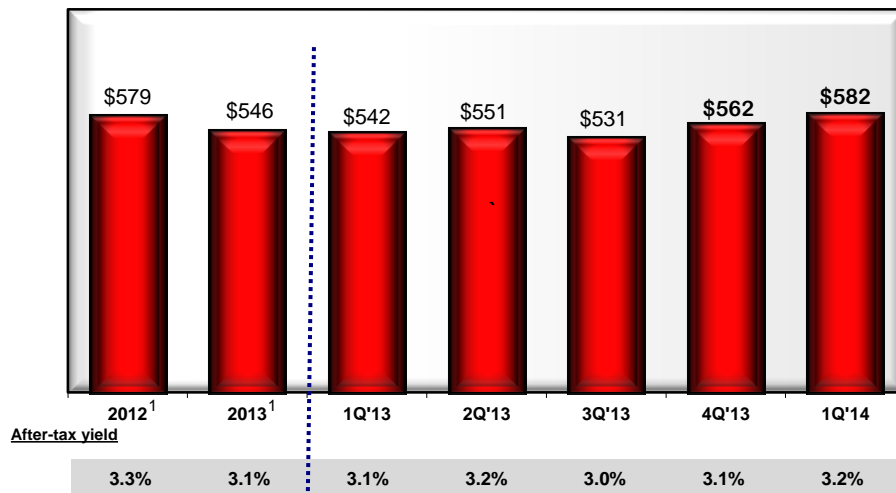
## Very high quality investment portfolio

- Net unrealized investment gains of \$1.674 billion after-tax (\$2.569 billion pre-tax) at March 31, 2014.

# Net Investment Income

(\$ in millions, after-tax)

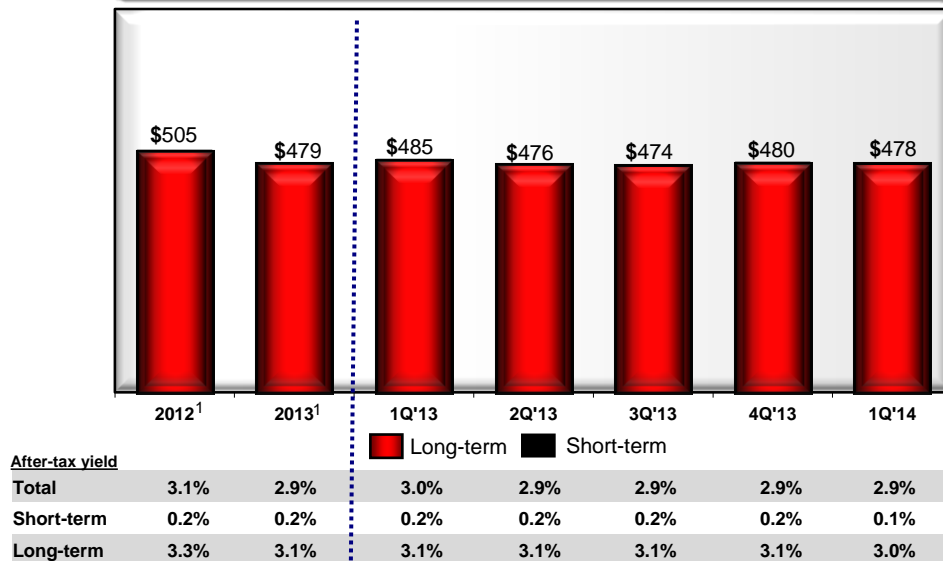
## Total



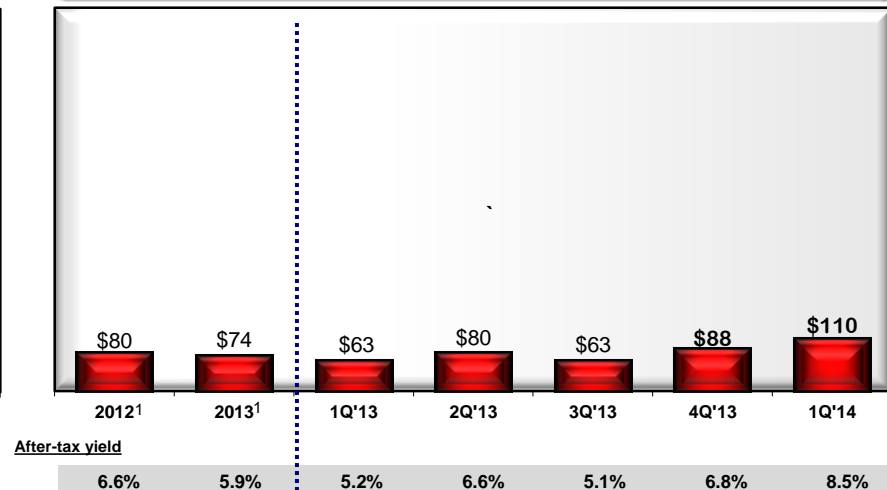
## First Quarter 2014 Commentary

- 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 increased from the prior year quarter due to higher private equity and real estate partnership returns.

## Fixed Income<sup>2</sup>



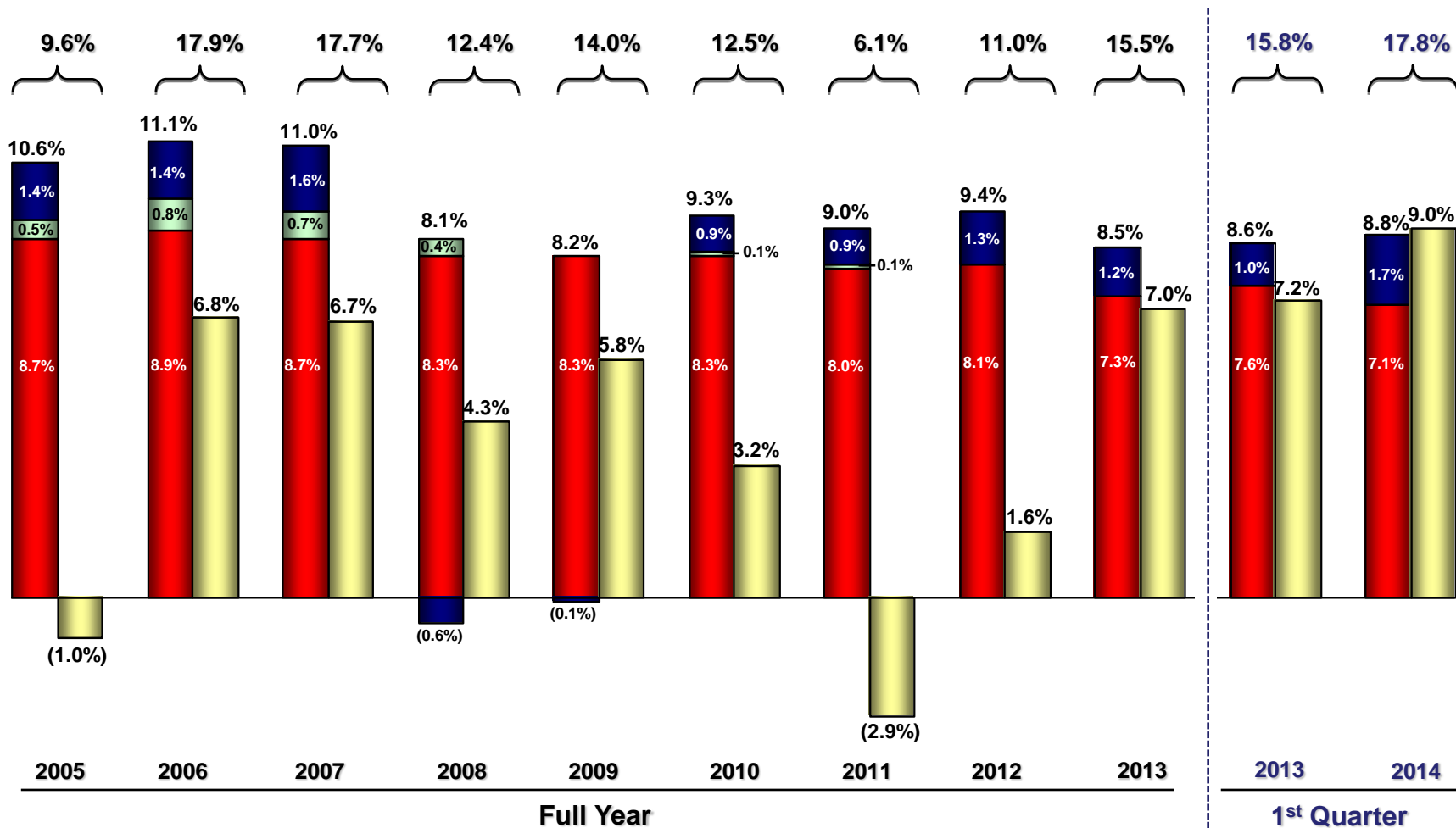
## Non-Fixed Income<sup>2</sup>



<sup>1</sup> 2012 and 2013 data represents quarterly average.

<sup>2</sup> 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 Jan. 1, 2005 through Mar. 31, 2014, TRV's average annual operating ROE was approximately 13.2%



# Business Insurance

## Performance

(\$ in millions)

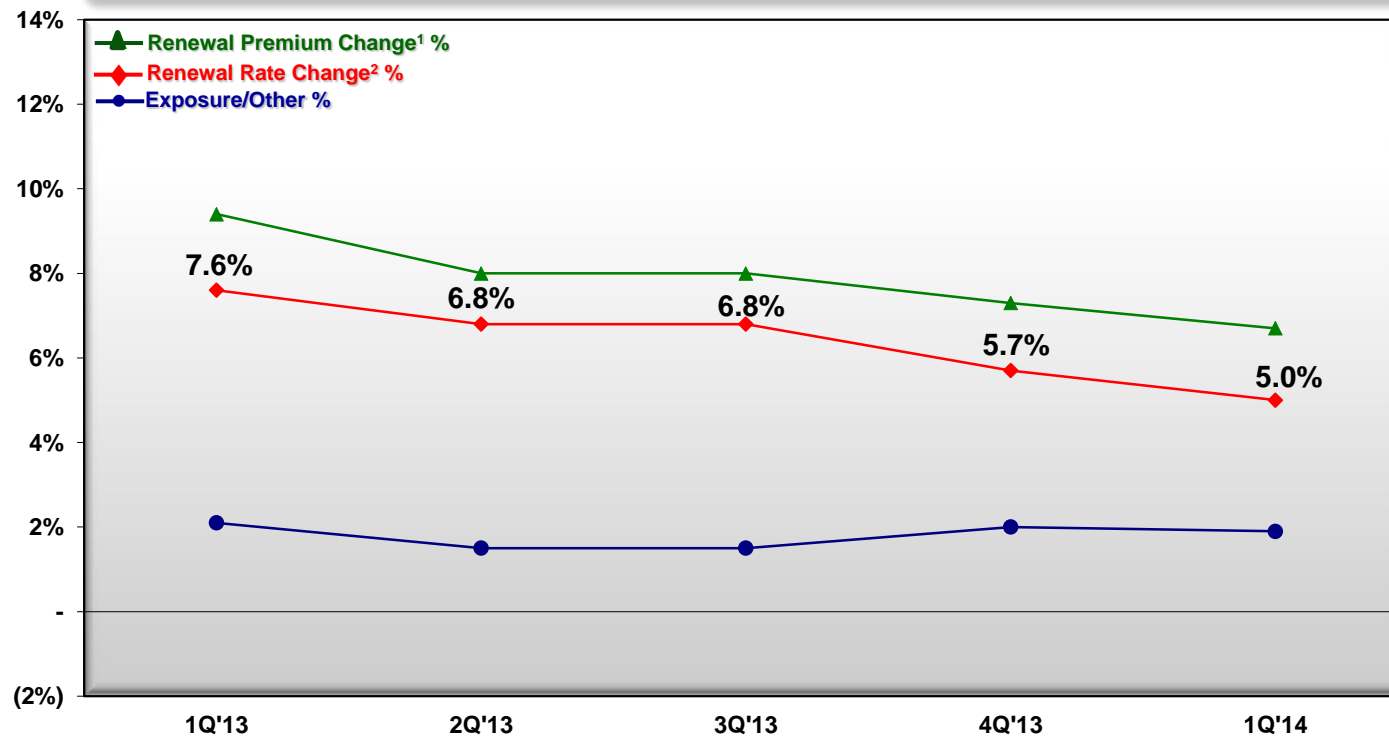
	First Quarter		
	2014	2013	Change
<b>Operating income</b>	<b>\$ 653</b>	<b>\$ 590</b>	<b>11 %</b>
Loss and loss adjustment ratio	59.8 %	57.7 %	
Underwriting expense ratio	27.9	31.7	
<b>GAAP combined ratio <sup>1</sup></b>	<b>87.7 %</b>	<b>89.4 %</b>	<b>1.7 pts</b>
Net favorable prior year reserve development	3.1	3.9	
Catastrophes, net of reinsurance	(2.7)	(1.2)	
<b>Underlying GAAP combined ratio</b>	<b>88.1 %</b>	<b>92.1 %</b>	<b>4.0 pts</b>
<hr/>			
<b>Net Written Premiums</b>			
Select Accounts	\$ 718	\$ 724	(1) %
Commercial Accounts	893	908	(2)
National Accounts	300	277	8
Industry-Focused Underwriting	732	699	5
Target Risk Underwriting	454	448	1
Specialized Distribution	207	204	1
<b>Total Business Insurance</b>	<b>\$ 3,304</b>	<b>\$ 3,260</b>	<b>1 %</b>

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

# Business Insurance (Ex. National Accounts)

## Illustrative Business Statistics

### Renewal Pricing Results



(\$ in millions)

Retention	80%	79%	79%	80%	81%
RPC <sup>1</sup>	9.4%	8.0%	8.0%	7.3%	6.7%
New Business	\$481	\$451	\$453	\$438	\$443

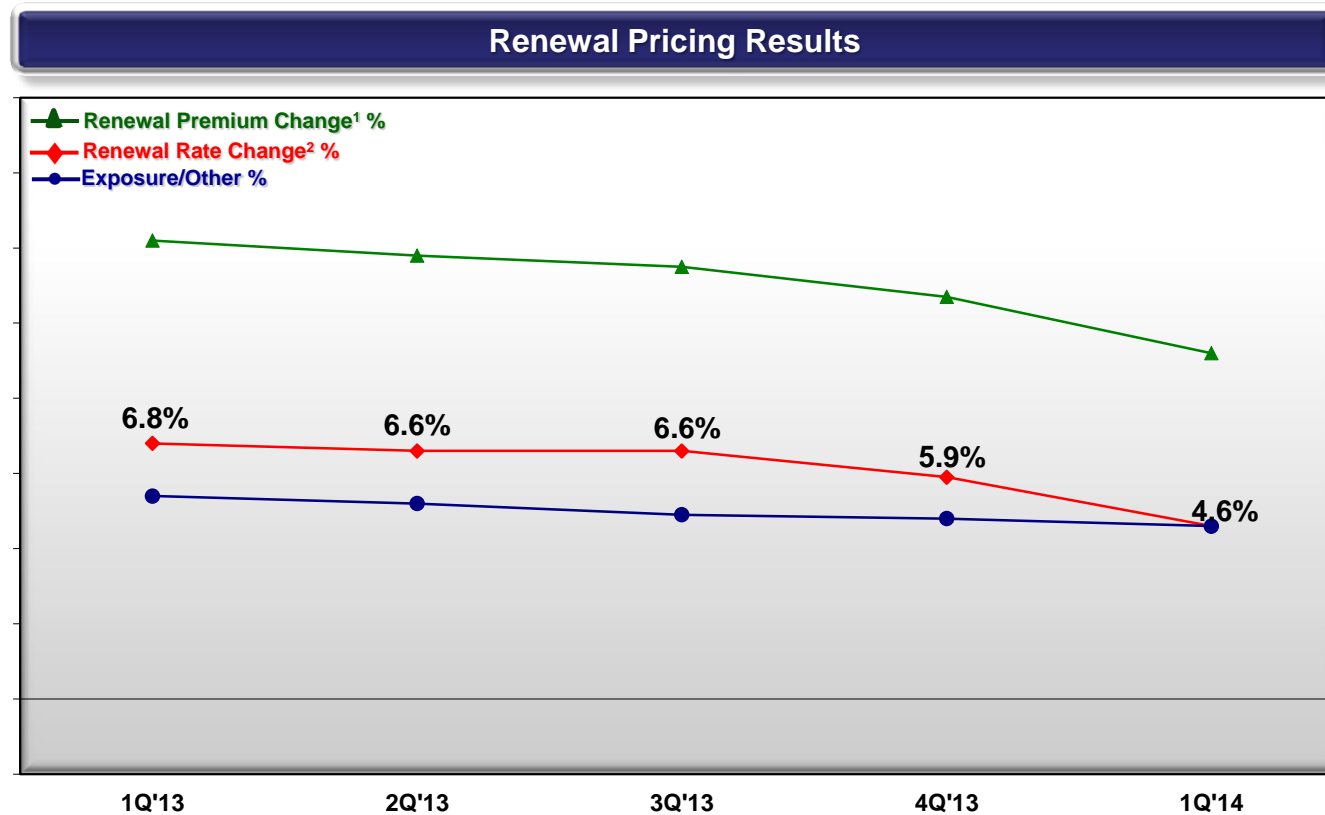
<sup>1</sup> Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

<sup>2</sup> 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



Retention

77%

76%

75%

75%

79%

RPC<sup>1</sup>

12.2%

11.8%

11.5%

10.7%

9.2%

New Business

\$106

\$99

\$88

\$90

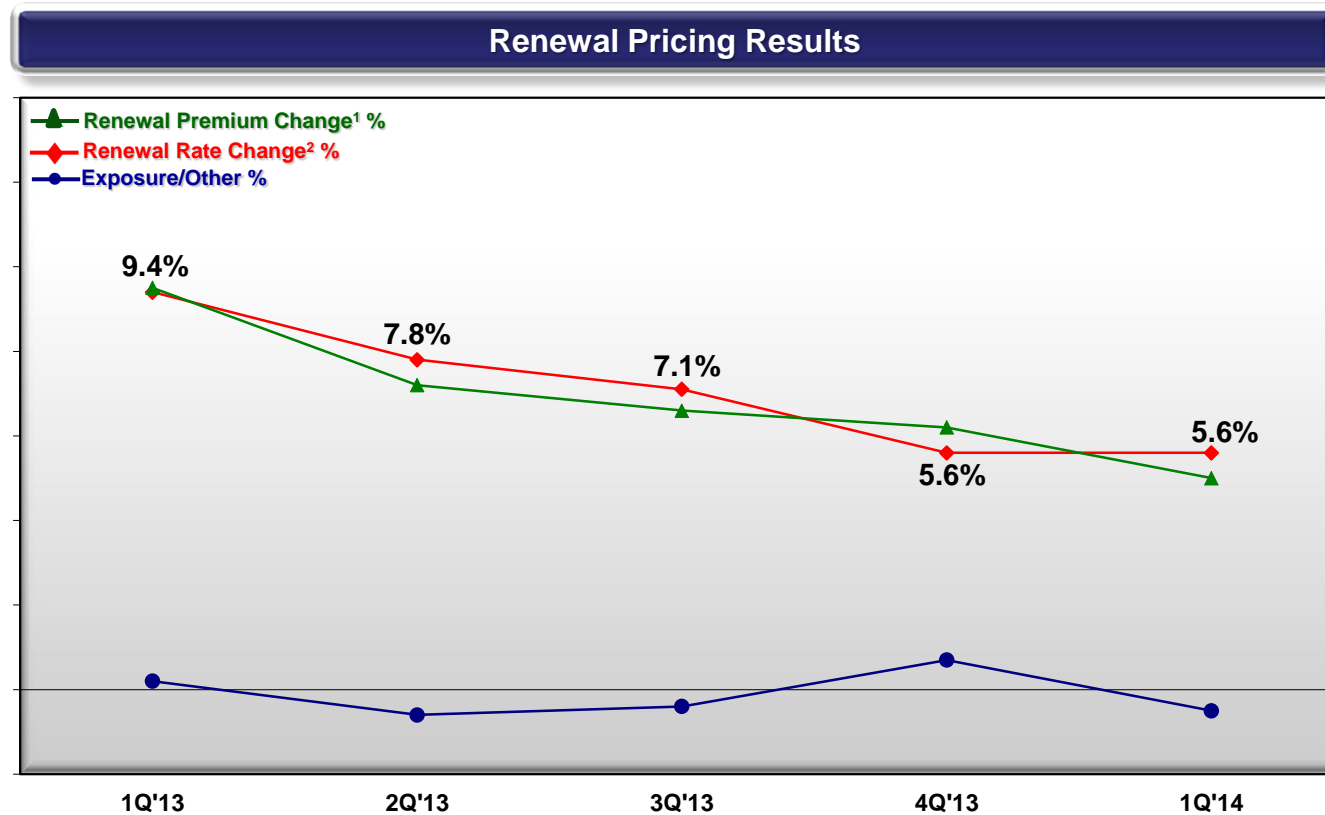
\$99

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

<sup>2</sup> 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



Retention	82%	81%	82%	83%	83%
RPC <sup>1</sup>	9.5%	7.2%	6.6%	6.2%	5.0%
New Business	\$137	\$107	\$115	\$114	\$115

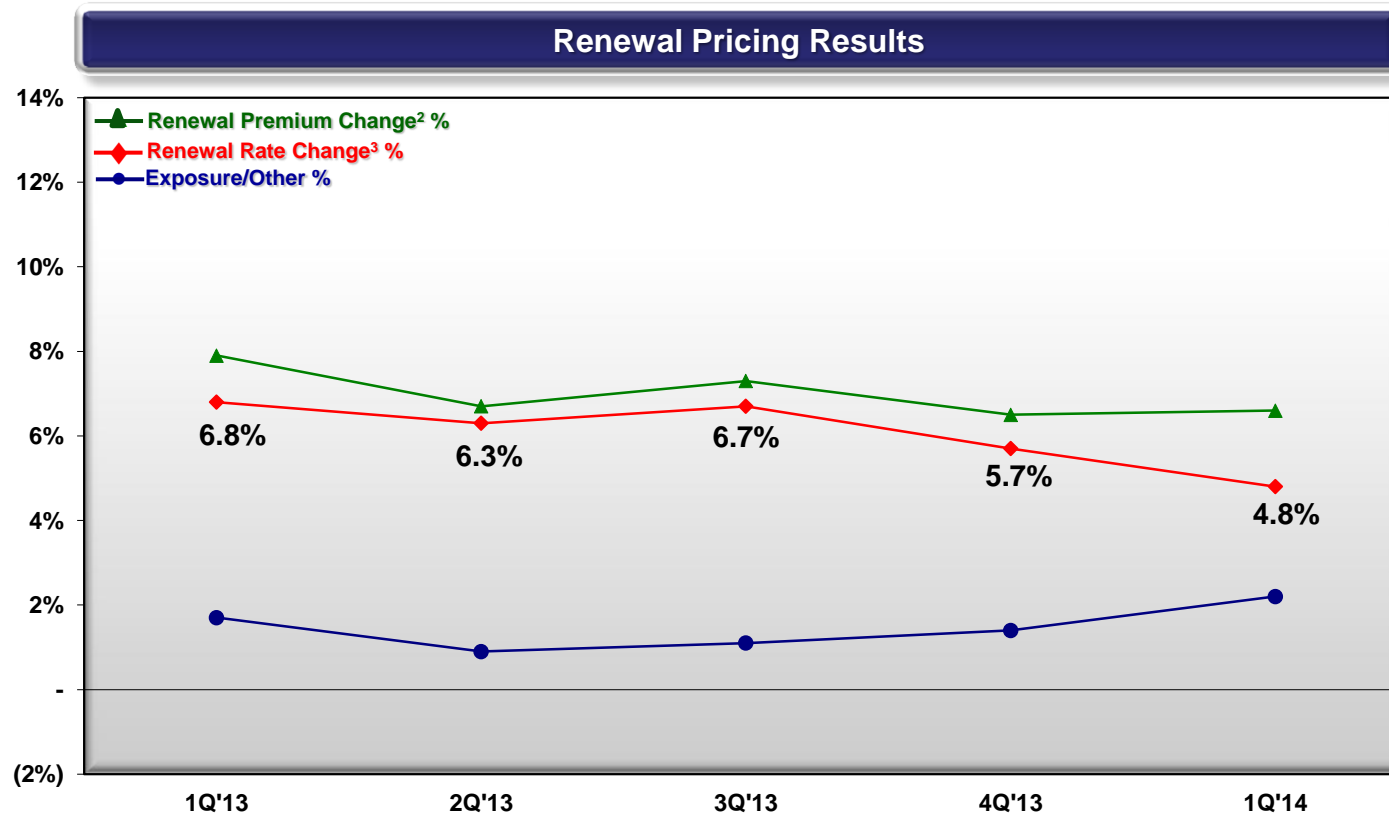
<sup>1</sup> Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

<sup>2</sup> 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*<sup>1</sup>

## Illustrative Business Statistics



Retention	81%	80%	80%	80%	80%
RPC <sup>2</sup>	7.9%	6.7%	7.3%	6.5%	6.6%
New Business	\$238	\$245	\$250	\$234	\$229

<sup>1</sup> Includes Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

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

<sup>3</sup> 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.

# Financial, Professional & International Insurance

## Performance

(\$ in millions)

	First Quarter		
	2014	2013	Change
<b>Operating income</b>	<b>\$ 195</b>	<b>\$ 163</b>	<b>20 %</b>
Loss and loss adjustment ratio	45.9 %	40.8 %	
Underwriting expense ratio	37.9	41.5	
<b>GAAP combined ratio <sup>1</sup></b>	<b>83.8 %</b>	<b>82.3 %</b>	<b>(1.5) pts</b>
Net favorable prior year reserve development	6.6	7.8	
Catastrophes, net of reinsurance	(0.4)	-	
<b>Underlying GAAP combined ratio</b>	<b>90.0 %</b>	<b>90.1 %</b>	<b>0.1 pts</b>

## Net Written Premiums

Bond & Financial Products	\$ 482	\$ 395	22 %
International	468	252	86
<b>Total FP&amp;I</b>	<b>\$ 950</b>	<b>\$ 647</b>	<b>47 %</b>
<i>Total FP&amp;I - Adjusted for the impact of foreign exchange rates</i>			<i>47 %</i>

# Financial, Professional & International Insurance

(\$ in millions)

## Illustrative Business Statistics

	2013				2014
	1Q	2Q	3Q	4Q	1Q
<b><u>Surety</u></b>					
Gross written premium	\$195	\$235	\$225	\$197	<b>\$216</b>
<b><u>Management Liability</u><sup>1</sup></b>					
Retention	85%	83%	85%	84%	<b>85%</b>
Renewal premium change <sup>2</sup>	7.8%	6.1%	6.3%	4.7%	<b>7.8%</b>
New business	\$38	\$37	\$40	\$39	<b>\$36</b>
<b><u>International</u><sup>1</sup></b>					
Retention	82%	81%	78%	82%	<b>83%</b>
Renewal premium change <sup>2</sup>	(0.7%)	2.8%	1.7%	1.8%	<b>2.8%</b>
New business	\$48	\$71	\$50	\$79	<b>\$73</b>

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

<sup>2</sup> 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)

	First Quarter		
	2014	2013	Change
<b>Operating income</b>	<b>\$ 268</b>	<b>\$ 197</b>	<b>36 %</b>
Loss and loss adjustment ratio	55.6 %	59.9 %	
Underwriting expense ratio	28.0	29.5	
<b>GAAP combined ratio <sup>1</sup></b>	<b>83.6 %</b>	<b>89.4 %</b>	<b>5.8 pts</b>
Net favorable prior year reserve development	7.5	3.3	
Catastrophes, net of reinsurance	(3.7)	(3.5)	
<b>Underlying GAAP combined ratio</b>	<b>87.4 %</b>	<b>89.2 %</b>	<b>1.8 pts</b>
<hr/>			
<b>Net Written Premiums</b>			
Agency Automobile <sup>2</sup>	\$ 788	\$ 831	(5) %
Agency Homeowners & Other <sup>2</sup>	788	820	(4)
Direct to Consumer	43	39	10
<b>Total</b>	<b>\$ 1,619</b>	<b>\$ 1,690</b>	<b>(4) %</b>

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

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



# Personal Insurance

## Performance

	First Quarter		
	2014	2013	Change
<b>Agency Automobile <sup>1</sup></b>			
Loss and loss adjustment ratio	67.7 %	70.4 %	
Underwriting expense ratio	25.6	25.6	
<b>GAAP combined ratio<sup>2</sup></b>	<b>93.3 %</b>	<b>96.0 %</b>	<b>2.7 pts</b>
Net unfavorable prior year reserve development	-	(0.6)	
Catastrophes, net of reinsurance	-	(1.0)	
<b>Underlying GAAP combined ratio</b>	<b>93.3 %</b>	<b>94.4 %</b>	<b>1.1 pts</b>
<b>Agency Homeowners &amp; Other <sup>1</sup></b>			
Loss and loss adjustment ratio	44.8 %	50.2 %	
Underwriting expense ratio	27.6	29.8	
<b>GAAP combined ratio<sup>2</sup></b>	<b>72.4 %</b>	<b>80.0 %</b>	<b>7.6 pts</b>
Net favorable prior year reserve development	14.1	6.7	
Catastrophes, net of reinsurance	(6.8)	(5.6)	
<b>Underlying GAAP combined ratio</b>	<b>79.7 %</b>	<b>81.1 %</b>	<b>1.4 pts</b>

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

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

# Personal Insurance

(\$ in millions)

## Illustrative Business Statistics

	2013				2014
	1Q	2Q	3Q	4Q	1Q
<b><u>Agency Automobile <sup>1</sup></u></b>					
Retention <sup>2,3</sup>	79%	80%	80%	81%	<b>81%</b>
Renewal premium change <sup>3,4</sup>	9.8%	9.3%	7.8%	6.8%	<b>6.1%</b>
PIF growth over prior year quarter	(11%)	(12%)	(12%)	(11%)	<b>(9%)</b>
New business	\$86	\$90	\$87	\$92	<b>\$109</b>
<b><u>Agency Homeowners &amp; Other <sup>1</sup></u></b>					
Retention <sup>2</sup>	82%	83%	84%	84%	<b>84%</b>
Renewal premium change <sup>4</sup>	11.4%	10.9%	10.6%	10.0%	<b>8.6%</b>
PIF growth over prior year quarter	(9%)	(9%)	(9%)	(8%)	<b>(8%)</b>
New business	\$49	\$71	\$73	\$60	<b>\$56</b>

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

<sup>2</sup> 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.

<sup>3</sup> Statistics for standard voluntary automobile.

<sup>4</sup> 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

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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 our future financial condition and operating results, our share repurchase plans, potential margins, potential returns, the sufficiency of our reserves and our strategic initiatives, including statements related to our personal auto business, among others.

We caution investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Company’s control, 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 economic downturn;
- Changes to our claims and claim adjustment expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims and related litigation;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition, including the impact of competition on our strategic initiatives and new products;
- 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, including in Personal Insurance, or expanding in targeted markets;
- Other changes in tax laws that adversely impact our investment portfolio or operating results;
- Risks associated with our use of pricing and capital models;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data security and/or outsourcing relationships;
- Risks associated with our business outside of the United States, including regulatory risks;
- Risks associated with acquisitions, and integration of acquired businesses;
- Changes to existing accounting standards;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Company may be unable to protect and enforce its own intellectual property or maybe subject to claims infringing on intellectual property of others;
- Losses of or restrictions placed on the use of credit scoring or other underwriting criteria in the pricing and underwriting of insurance products;
- Factors impacting the operation of our repurchase plans; and
- The company may not achieve the anticipated benefits of its transactions, its new products or its strategic initiatives, including in Personal Insurance, or complete a transaction that is subject to closing conditions.

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

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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 (SEC). See the “For Investors” section at [Travelers.com](http://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](http://www.sec.gov)).

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

From time to time, Travelers may use its website and/or social media outlets, such as Facebook and Twitter, as distribution channels of material company information. Financial and other important information regarding the company is routinely accessible through and posted on our website at <http://investor.travelers.com>, our Facebook page at <https://www.facebook.com/travelers> and our Twitter account (@TRV\_Insurance) at [https://twitter.com/TRV\\_Insurance](https://twitter.com/TRV_Insurance). In addition, you may automatically receive email alerts and other information about Travelers when you enroll your email address by visiting the “Email Alert Service” section at <http://investor.travelers.com>.



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The Travelers Companies, Inc.

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