



Third Quarter 2016 Results

Long-Term Financial Strategy



CREATE SHAREHOLDER VALUE

Objective: Mid-Teens Operating ROE *Over Time*

Third Quarter 2016 Overview

Travelers Reports Third Quarter Net and Operating Income per Diluted Share of \$2.45 and \$2.40, Respectively

Return on Equity and Operating Return on Equity of 11.6% and 12.5%, Respectively

- Net and operating income of \$716 million and \$701 million, respectively, declined from the prior year quarter, primarily due to lower net favorable prior year reserve development and higher non-catastrophe weather-related losses.
- Strong consolidated underwriting results, as reflected in combined ratio of 92.9% and underlying combined ratio of 92.1%.
- Record net written premiums of \$6.389 billion, up 3% from prior year quarter.
- Total capital returned to shareholders of \$755 million in the quarter, including \$562 million of share repurchases. Year-to-date total capital returned to shareholders of \$2.292 billion, including \$1.721 billion of share repurchases.
- Book value per share of \$86.04 increased 9% from end of prior year quarter and 8% from year-end 2015. Adjusted book value per share of \$78.82 increased 6% and 5%, respectively, from the same dates.
- Board of Directors declared quarterly dividend per share of \$0.67.

Consolidated Performance

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

	Third Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
Operating income	\$ 701	\$ 918	(24) %	\$ 2,048	\$ 2,551	(20) %
<i>per diluted share</i>	<i>\$ 2.40</i>	<i>\$ 2.93</i>	<i>(18) %</i>	<i>\$ 6.92</i>	<i>\$ 7.97</i>	<i>(13) %</i>
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 27	\$ 132		\$ 338	\$ 423	
Catastrophes, net of reinsurance	(58)	(56)		(487)	(305)	
Total items	\$ (31)	\$ 76		\$ (149)	\$ 118	
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Loss and loss adjustment ratio	61.2 %	55.2 %		61.2 %	57.2 %	
Underwriting expense ratio	31.7	31.7		31.6	31.7	
Combined ratio¹	92.9 %	86.9 %	(6.0) pts	92.8 %	88.9 %	(3.9) pts
Net favorable prior year reserve development	0.6	3.3		2.8	3.6	
Catastrophes, net of reinsurance	(1.4)	(1.4)		(4.1)	(2.6)	
Underlying combined ratio	92.1 %	88.8 %	(3.3) pts	91.5 %	89.9 %	(1.6) pts
Net Written Premiums	\$ 6,389	\$ 6,191	3 %	\$ 18,900	\$ 18,257	4 %

Very Strong Financial Position

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

	September 30, 2016	December 31, 2015
Debt	\$ 6,436	\$ 6,344
Common equity ¹	22,390	22,309
Total capital ¹	<u>\$ 28,826</u>	<u>\$ 28,653</u>
Debt-to-capital ¹	22.3%	22.1%
Common shares outstanding	284.1	295.9
Book value per common share	\$ 86.04	\$ 79.75
Adjusted book value per common share ¹	\$ 78.82	\$ 75.39
Tangible book value per common share ^{1,2}	\$ 65.47	\$ 62.58
Statutory capital and surplus	\$ 20,609	\$ 20,567
Holding company liquidity	\$ 1,808	\$ 1,625

Capital

- At or above target levels for all rating agencies.
- Repurchased 4.8 million shares during the third quarter 2016 at a total cost of \$562 million.
- Dividends in the third quarter were \$193 million.

Leverage

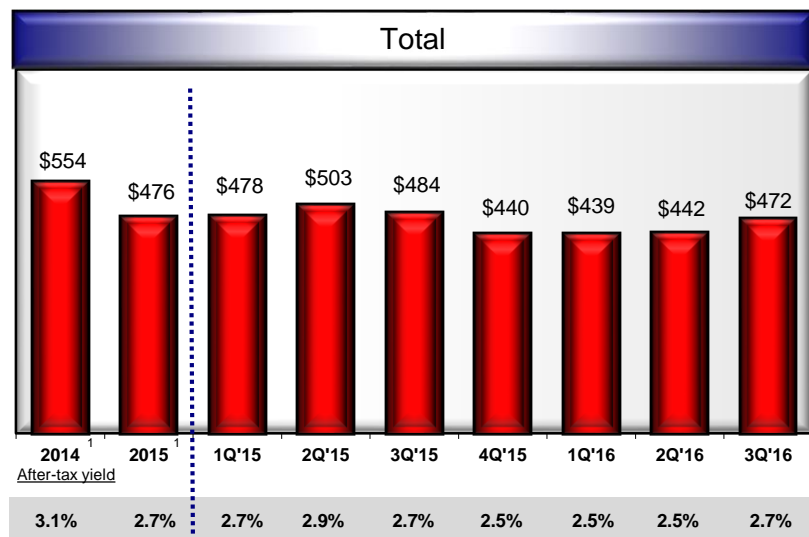
- Debt-to-capital ratio¹ of 22.3% comfortably within target range.
- Low level of maturing debt.
 - 2016 -
 - 2017 \$450 million
 - 2018 \$500 million

Very high quality investment portfolio

- Net unrealized investment gains of \$2.049 billion after-tax (\$3.135 billion pre-tax) at September 30, 2016.
- Fixed maturities average weighted quality Aa2, AA.
- Fixed maturities below investment grade 2.8%.

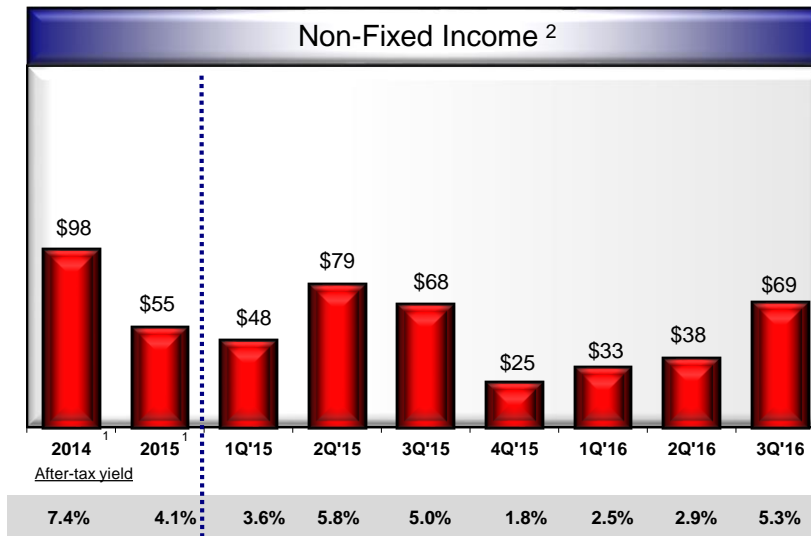
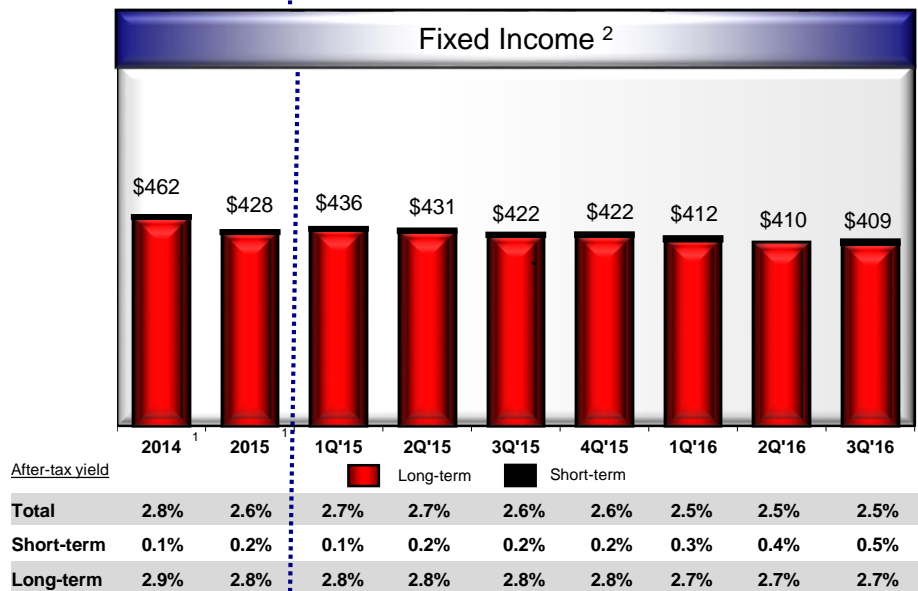
Combined Net Investment Income - After-tax

(\$ in millions)



Third Quarter 2016 Commentary

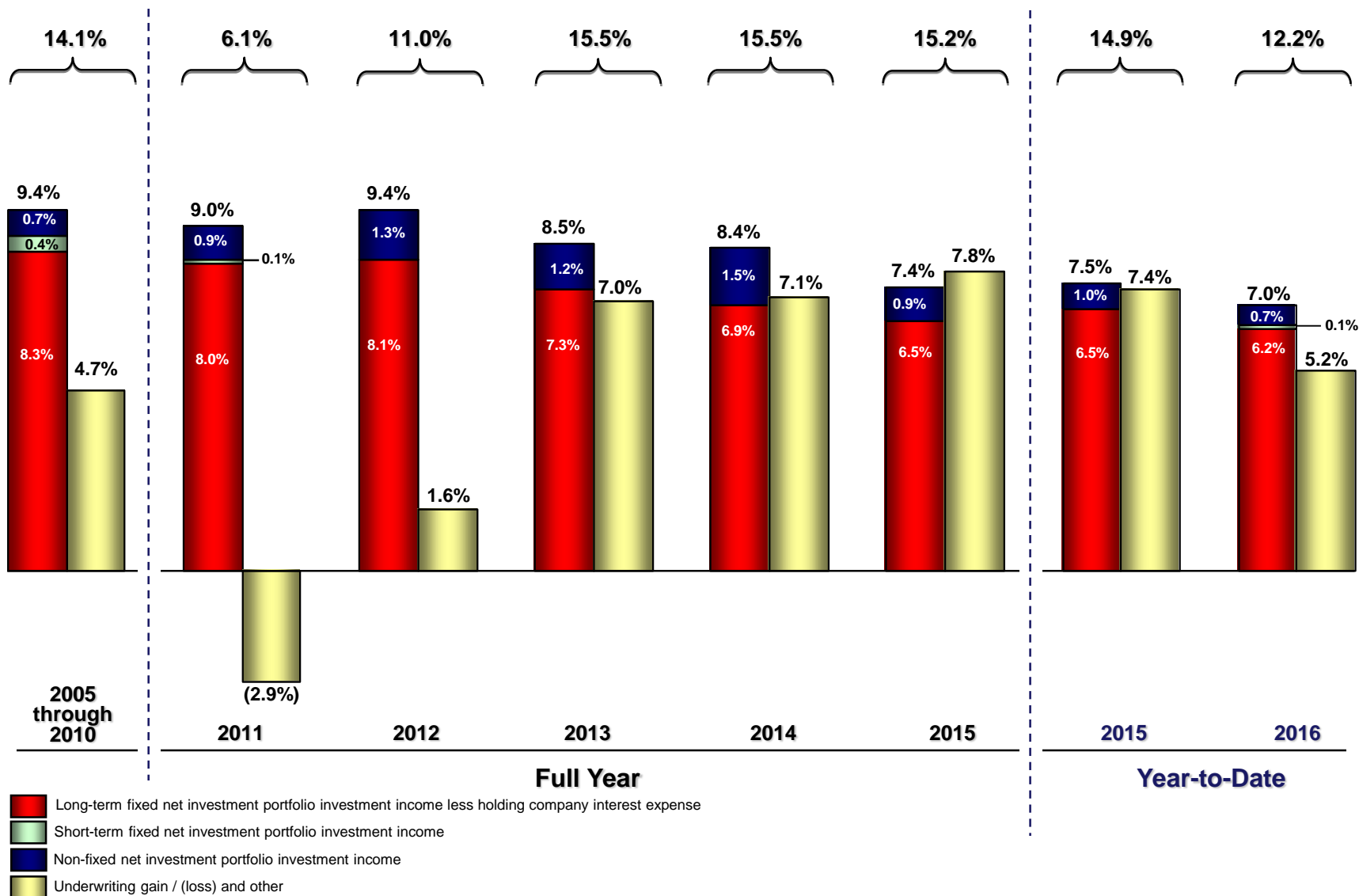
- Net investment income from the long-term fixed income portfolio declined modestly from the prior year quarter due to lower reinvestment rates as expected
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Net investment income from the non-fixed income portfolio was comparable to the prior year quarter and improved from recent quarters



¹ 2014 and 2015 data represent quarterly average

² Excludes investment expenses

Components of Operating Return on Equity



From Jan. 1, 2005 through Sept. 30, 2016, TRV's average annual operating ROE was approximately 13.4%

Business and International Insurance Performance

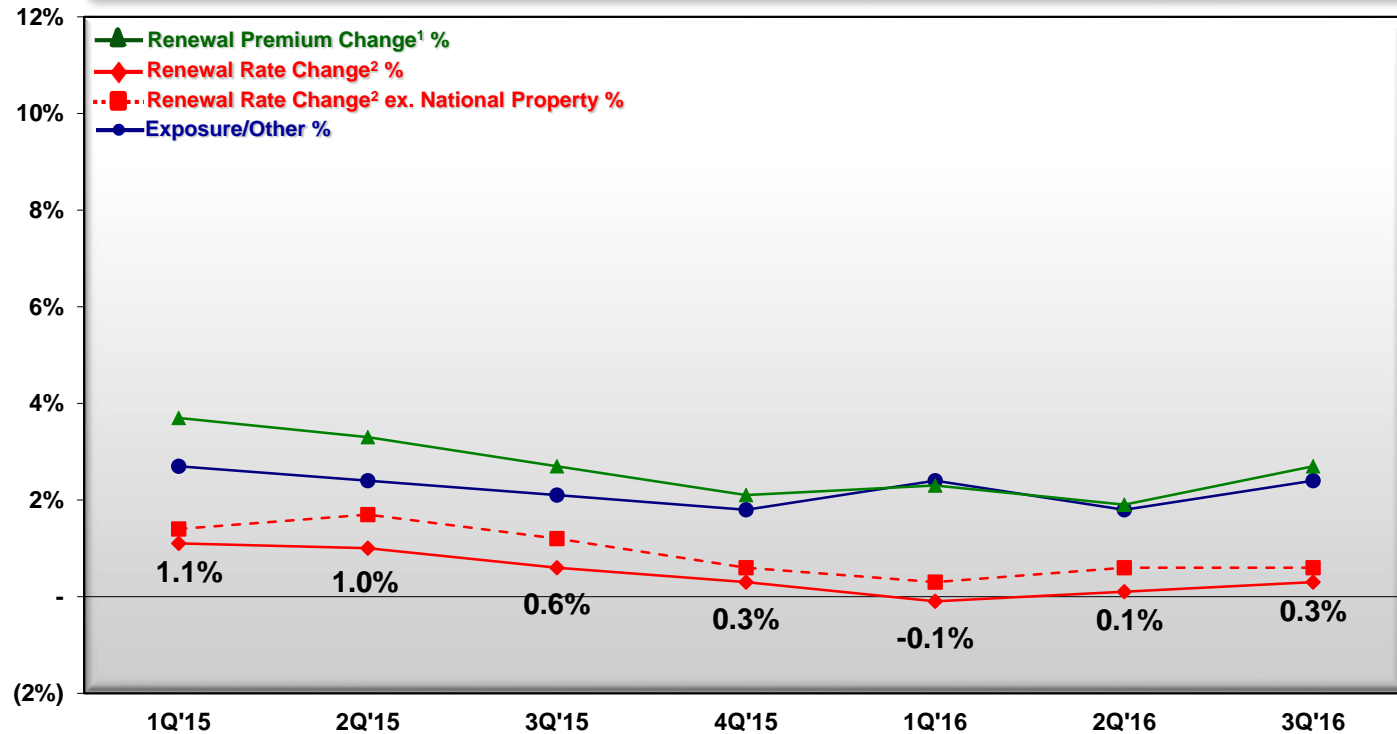
(\$ in millions)

	Third Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
Operating income	<u>\$ 457</u>	<u>\$ 546</u>	(16) %	<u>\$ 1,326</u>	<u>\$ 1,604</u>	(17) %
Loss and loss adjustment ratio	63.0 %	59.6 %		63.2 %	60.5 %	
Underwriting expense ratio	<u>33.1</u>	<u>32.6</u>		<u>33.0</u>	<u>32.4</u>	
Combined ratio¹	<u>96.1 %</u>	<u>92.2 %</u>	(3.9) pts	<u>96.2 %</u>	<u>92.9 %</u>	(3.3) pts
Net favorable prior year reserve development	0.5	1.4		2.3	2.1	
Catastrophes, net of reinsurance	<u>(1.9)</u>	<u>(1.1)</u>		<u>(4.0)</u>	<u>(2.2)</u>	
Underlying combined ratio	<u>94.7 %</u>	<u>92.5 %</u>	(2.2) pts	<u>94.5 %</u>	<u>92.8 %</u>	(1.7) pts
<hr/>						
Net written premiums						
Domestic						
Select Accounts	\$ 657	\$ 654	- %	\$ 2,090	\$ 2,085	- %
Middle Market	1,616	1,597	1	4,939	4,774	3
National Accounts	245	254	(4)	799	781	2
First Party	399	411	(3)	1,223	1,203	2
Specialized Distribution	<u>263</u>	<u>277</u>	(5)	<u>851</u>	<u>845</u>	1
Total Domestic	3,180	3,193	-	9,902	9,688	2
International	<u>403</u>	<u>397</u>	2	<u>1,275</u>	<u>1,378</u>	(7)
Total Business and International Insurance	<u>\$ 3,583</u>	<u>\$ 3,590</u>	- %	<u>\$ 11,177</u>	<u>\$ 11,066</u>	1 %
Change excluding the impact of changes in foreign exchange rates			- %			2 %

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

Domestic Business Insurance (Ex. National Accounts)

Illustrative Business Statistics



(\$ in millions)

Retention	84%	83%	84%	84%	85%	85%	85%
Renewal premium change ¹	3.7%	3.3%	2.7%	2.1%	2.3%	1.9%	2.7%
New business	\$528	\$484	\$446	\$467	\$581	\$526	\$431

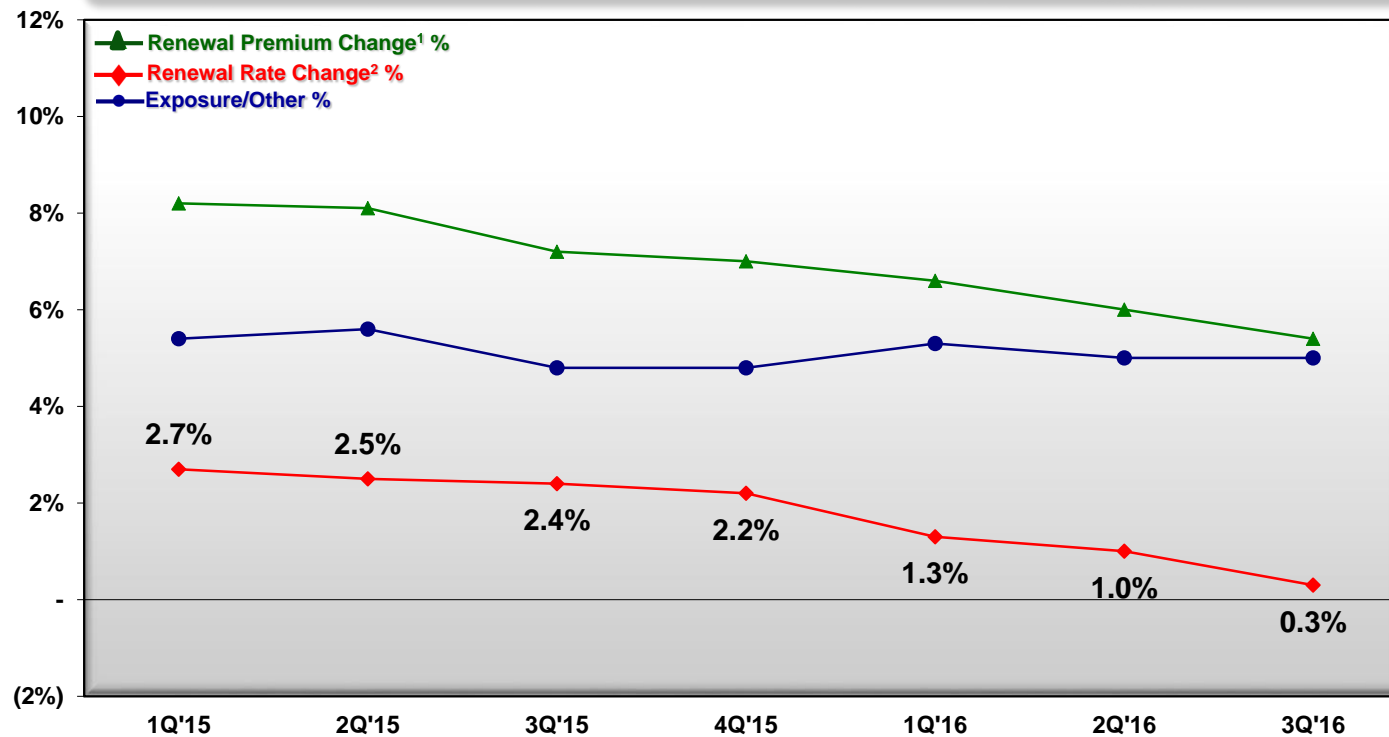
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Domestic Business Insurance: *Select Accounts*

Illustrative Business Statistics



(\$ in millions)

Retention	81%	81%	81%	80%	82%	82%	82%
Renewal premium change ¹	8.2%	8.1%	7.2%	7.0%	6.6%	6.0%	5.4%
New business	\$100	\$96	\$89	\$86	\$104	\$100	\$95

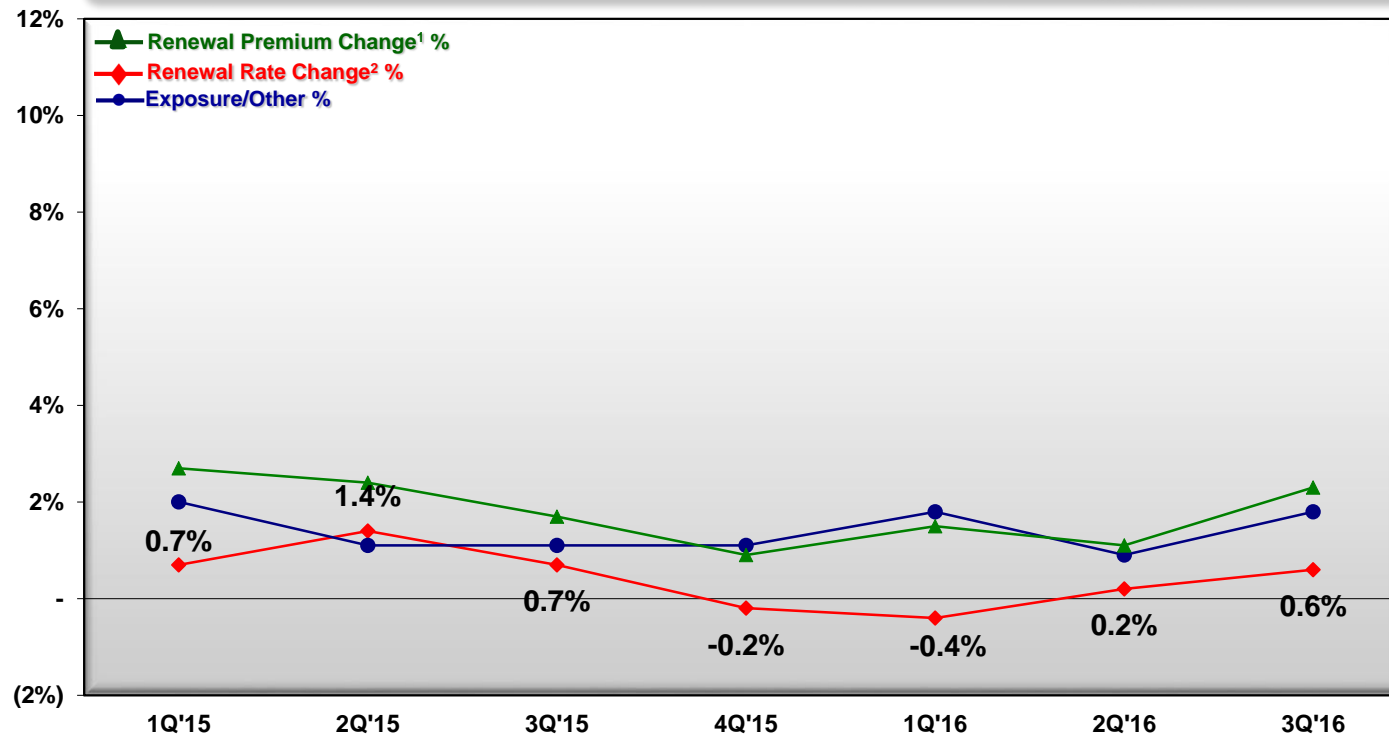
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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

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Domestic Business Insurance: *Middle Market*

Illustrative Business Statistics



(\$ in millions)

Retention	87%	86%	86%	87%	88%	87%	87%
Renewal premium change ¹	2.7%	2.4%	1.7%	0.9%	1.5%	1.1%	2.3%
New business	\$305	\$237	\$215	\$248	\$319	\$273	\$212

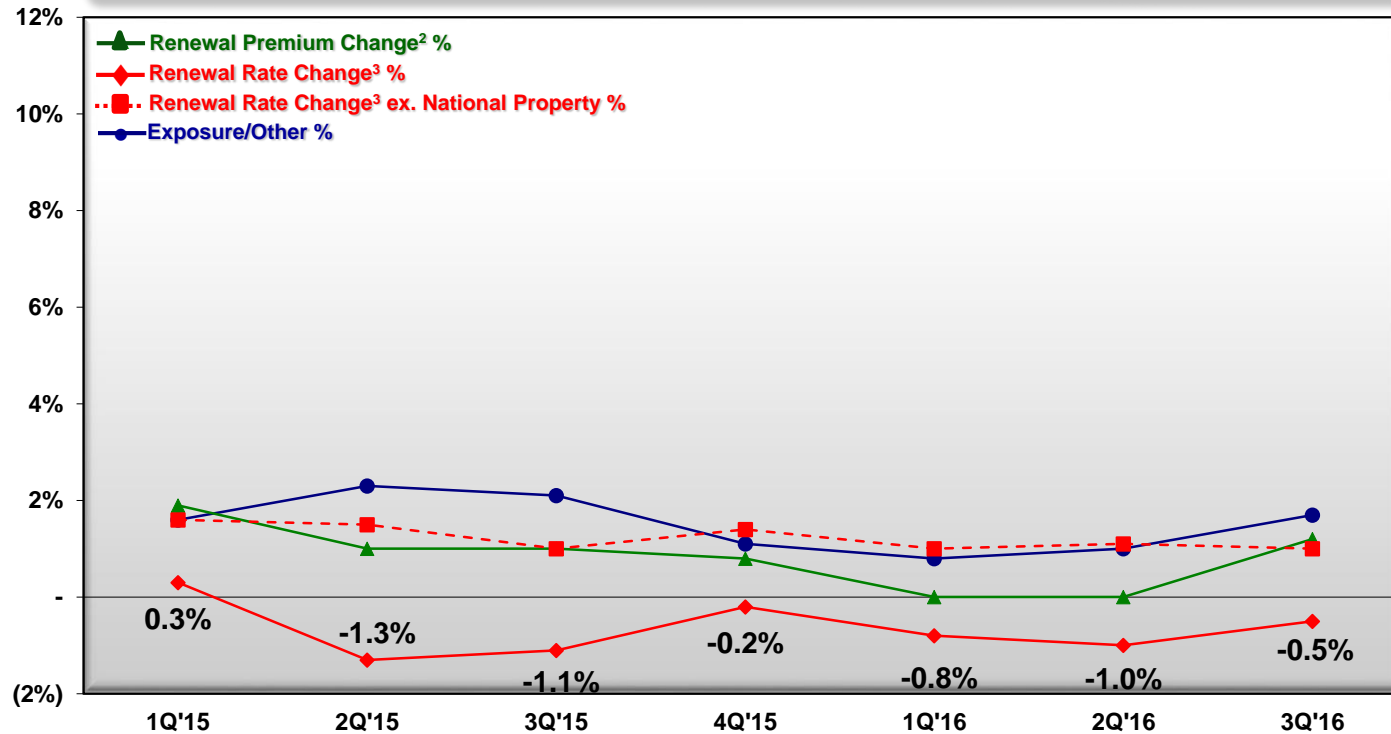
¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Domestic Business Insurance: *Other Business Insurance*¹

Illustrative Business Statistics



(\$ in millions)

Retention	80%	81%	81%	79%	81%	82%	81%
Renewal premium change ²	1.9%	1.0%	1.0%	0.8%	0.0%	0.0%	1.2%
New business	\$123	\$151	\$142	\$133	\$158	\$153	\$124

¹ Includes First Party 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 in part dependent on the use of estimates and are therefore subject to change.

International Insurance

(\$ in millions)

Illustrative Business Statistics

	2015				2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
International ¹							
Retention	85%	82%	81%	79%	83%	80%	82%
Renewal premium change ²	(0.5%)	(0.6%)	(0.7%)	(1.1%)	(1.2%)	(0.6%)	0.3%
New business	\$58	\$63	\$59	\$80	\$78	\$107	\$86

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 in part dependent on the use of estimates and are therefore subject to change.

Bond & Specialty Insurance Performance

(\$ in millions)

	Third Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
Operating income	<u>\$ 146</u>	<u>\$ 196</u>	(26) %	<u>\$ 492</u>	<u>\$ 471</u>	4 %
Loss and loss adjustment ratio	32.3 %	20.6 %		26.4 %	31.3 %	
Underwriting expense ratio	<u>37.8</u>	<u>36.5</u>		<u>37.6</u>	<u>37.5</u>	
Combined ratio ¹	70.1 %	57.1 %	(13.0) pts	64.0 %	68.8 %	4.8 pts
Net favorable prior year reserve development	7.5	19.1		16.1	11.4	
Catastrophes, net of reinsurance	<u>(0.2)</u>	<u>(0.1)</u>		<u>(0.3)</u>	<u>(0.2)</u>	
Underlying combined ratio	<u>77.4 %</u>	<u>76.1 %</u>	(1.3) pts	<u>79.8 %</u>	<u>80.0 %</u>	0.2 pts
<hr/>						
Net written premiums						
Management Liability	\$ 354	\$ 350	1 %	\$ 1,010	\$ 993	2 %
Surety	<u>212</u>	<u>215</u>	(1)	<u>584</u>	<u>584</u>	-
Total Bond & Specialty Insurance	<u>\$ 566</u>	<u>\$ 565</u>	- %	<u>\$ 1,594</u>	<u>\$ 1,577</u>	1 %

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

Bond & Specialty Insurance

(\$ in millions)

Illustrative Business Statistics

	2015				2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<u>Management Liability</u>¹							
Retention	85%	86%	87%	84%	86%	87%	87%
Renewal premium change ²	4.3%	3.7%	3.3%	2.4%	3.0%	3.7%	4.1%
New business	\$38	\$40	\$45	\$41	\$46	\$48	\$50

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 in part dependent on the use of estimates and are therefore subject to change.

Personal Insurance Performance

(\$ in millions)

	Third Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
Operating income	<u>\$ 158</u>	<u>\$ 241</u>	(34) %	<u>\$ 413</u>	<u>\$ 667</u>	(38) %
Loss and loss adjustment ratio	65.5 %	56.5 %		66.6 %	58.0 %	
Underwriting expense ratio	<u>27.4</u>	<u>28.6</u>		<u>27.5</u>	<u>28.6</u>	
Combined ratio ¹	92.9 %	85.1 %	(7.8) pts	94.1 %	86.6 %	(7.5) pts
Net favorable/(unfavorable) prior year reserve development	(1.1)	2.6		0.1	4.5	
Catastrophes, net of reinsurance	<u>(0.8)</u>	<u>(2.5)</u>		<u>(5.3)</u>	<u>(4.1)</u>	
Underlying combined ratio	<u>91.0 %</u>	<u>85.2 %</u>	(5.8) pts	<u>88.9 %</u>	<u>87.0 %</u>	(1.9) pts
<hr/>						
Net written premiums						
Agency Automobile ²	\$ 1,095	\$ 934	17 %	\$ 3,045	\$ 2,646	15 %
Agency Homeowners & Other ²	1,058	1,035	2	2,854	2,793	2
Direct to Consumer	<u>87</u>	<u>67</u>	30	<u>230</u>	<u>175</u>	31
Total Personal Insurance	<u>\$ 2,240</u>	<u>\$ 2,036</u>	10 %	<u>\$ 6,129</u>	<u>\$ 5,614</u>	9 %

¹ A benefit to the 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.

Personal Insurance Performance

	Third Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
Agency Automobile ¹						
Loss and loss adjustment ratio	77.1 %	68.5 %		74.6 %	67.8 %	
Underwriting expense ratio	24.3	25.4		24.8	25.8	
Combined ratio ^{2,3}	101.4 %	93.9 %	(7.5) pts	99.4 %	93.6 %	(5.8) pts
Net favorable prior year reserve development	-	2.4		0.3	2.6	
Catastrophes, net of reinsurance	(0.3)	(0.1)		(1.7)	(0.8)	
Underlying combined ratio	101.1 %	96.2 %	(4.9) pts	98.0 %	95.4 %	(2.6) pts
Includes 3.1 pts unfavorable auto bodily injury CY re-estimation						
Agency Homeowners & Other ¹						
Loss and loss adjustment ratio	52.3 %	44.6 %		57.8 %	48.4 %	
Underwriting expense ratio	29.2	28.8		28.8	28.5	
Combined ratio ²	81.5 %	73.4 %	(8.1) pts	86.6 %	76.9 %	(9.7) pts
Net favorable/(unfavorable) prior year reserve development	(2.0)	2.8		(0.1)	6.4	
Catastrophes, net of reinsurance	(1.2)	(4.7)		(8.9)	(7.1)	
Underlying combined ratio	78.3 %	71.5 %	(6.8) pts	77.6 %	76.2 %	(1.4) pts

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

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

³ Third quarter 2016 results include a \$20 million after-tax (3.1 points) unfavorable current year re-estimation of personal auto bodily injury liability losses for the first six months of 2016

Personal Insurance

(\$ in millions)

Illustrative Business Statistics

	2015				2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Agency Automobile ¹							
Retention ²	83%	84%	85%	85%	85%	85%	84%
Renewal premium change ³	5.1%	4.7%	4.0%	4.4%	4.7%	4.6%	4.8%
Policies in force (in thousands)	2,021	2,057	2,106	2,157	2,212	2,275	2,350
• Sequential quarter growth	1%	2%	2%	2%	3%	3%	3%
• Year over year growth	2%	4%	6%	8%	9%	11%	12%
New business	\$174	\$191	\$218	\$212	\$215	\$231	\$259
Agency Homeowners & Other ¹							
Retention ²	85%	85%	85%	86%	86%	85%	85%
Renewal premium change ³	5.0%	4.7%	4.0%	3.7%	3.0%	3.3%	3.7%
Policies in force (in thousands)	4,008	4,017	4,034	4,042	4,068	4,117	4,146
• Sequential quarter growth	(1%)	-%	-%	-%	1%	1%	1%
• Year over year growth	(3%)	(2%)	(1%)	-%	1%	2%	3%
New business	\$77	\$113	\$122	\$105	\$101	\$133	\$135

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

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Illustration: Impact of Higher New Business on Loss Ratio

Exhibit 1

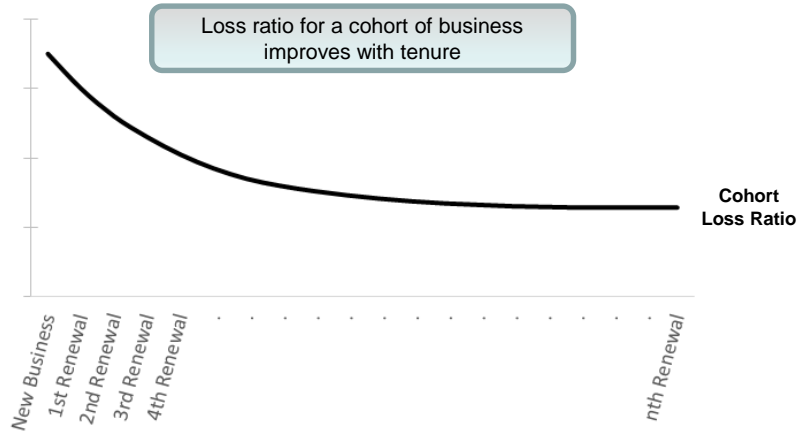


Exhibit 2

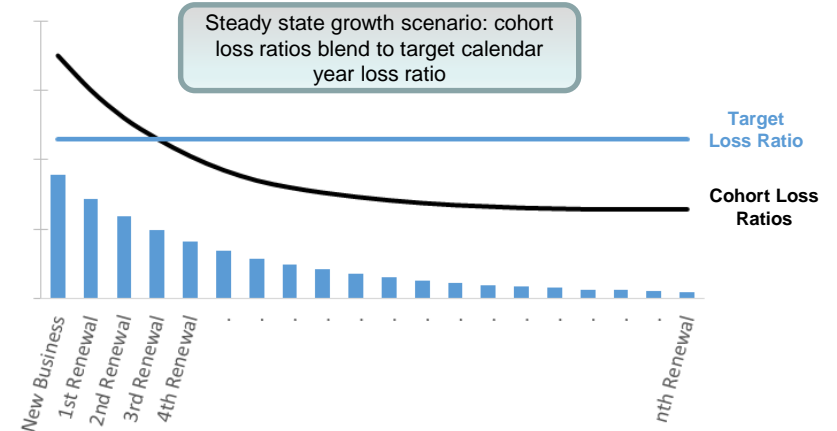


Exhibit 3

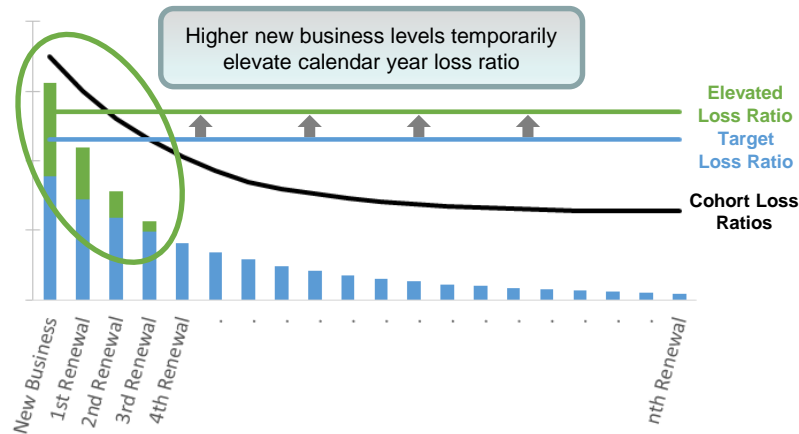
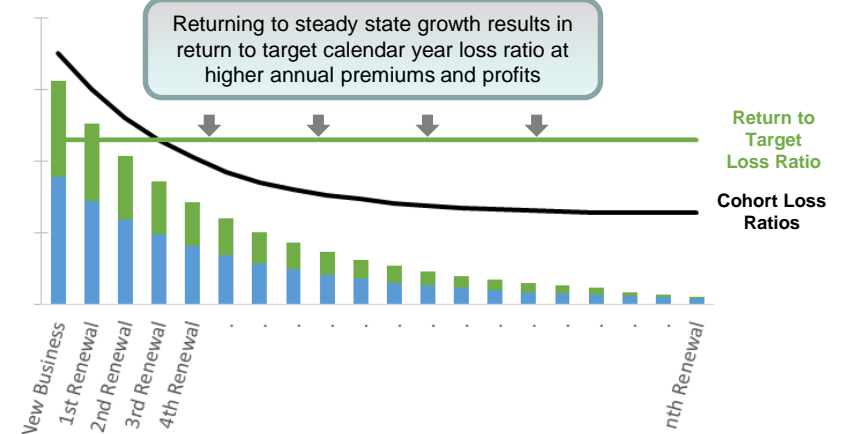


Exhibit 4



■ Earned Premium

■ Incremental Earned Premium



Appendix

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. These statements are likely to relate to, among other things, our outlook, our future financial condition and operating results (including anticipated premium volume, premium rates, margins, net and operating income, investment income and performance, loss costs, return on equity and expected current returns and combined ratios), our share repurchase plans, future pension plan contributions, the sufficiency of our reserves, the impact of emerging claim issues and litigation, the cost and availability of reinsurance coverage, catastrophe losses, the impact of investment, economic and underwriting conditions and our strategic initiatives.

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 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;
- Financial market disruption, economic downturn or prolonged period of slow economic growth;
- Changes to our claims and claim adjustment expense reserves, including as a result of, among other things, changes in the legal, regulatory and economic environments in which the Company operates;
- 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 business volume and profitability;
- Disruptions to our relationships with our independent agents and brokers;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in business and investment operations, including under reinsurance or structured settlements, as well as guarantees or indemnifications from third parties;
- 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;
- Risks associated with developing new products or expanding in targeted markets;
- Risks associated with our use of pricing and capital models;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data and network security, including as a result of cyber attacks, outsourcing relationships, or cloud-based technology;
- Risks associated with our business outside of the United States, including foreign currency exchange fluctuations and restrictive regulations, as well as the expected withdrawal by the United Kingdom from the European Union;
- Loss of or restrictions placed on the use of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of insurance products;
- Risks associated with acquisitions and integration of acquired businesses;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- We may be unable to protect and enforce our own intellectual property or may be subject to claims for infringing the intellectual property of others;
- Changes to existing accounting standards;
- Changes in tax laws that adversely impact our investment portfolio or operating results; and
- Factors impacting the operation of our share 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, as updated by our periodic filings with the Securities and Exchange Commission (“SEC”), which are accessible on the SEC’s website (www.sec.gov). 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 (SEC). 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.
