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**The Travelers Companies, Inc.**  
**Merrill Lynch Insurance Investors Conference**  
**February 13, 2008**

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# 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. Specifically, earnings guidance, statements about our share repurchase plans and statements about the potential impact of the recent disruption in the sub-prime and other financial markets on our investment portfolio and underwriting results are forward looking, and we may make forward-looking statements about our results of operations (including, among others, premium volume, net and operating income, investment income, return on equity and combined ratio), and financial condition (including, among others, invested assets and liquidity); the sufficiency of our asbestos and other reserves (including, among others, asbestos claim payment patterns); the cost and availability of reinsurance coverage; catastrophe losses; investment performance; market conditions; and strategic initiatives. 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, 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 could materially reduce our profitability and adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance; if actual claims exceed our loss reserves, or if changes in the estimated level of loss reserves are necessary, our financial results could be significantly and adversely affected; our business could be harmed because of our potential exposure to asbestos and environmental claims and related litigation; 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; the effects of emerging claim and coverage issues on our business are uncertain; reinsurance may be unavailable on acceptable terms, and we may be unable to collect reinsurance; the insurance industry is the subject of a number of investigations by state and federal authorities in the United States, and we cannot predict the outcome of these investigations or their impact on our business or financial results; our businesses are heavily regulated, and changes in regulation may reduce our profitability and limit our growth; a downgrade in our claims-paying and financial strength ratings could significantly reduce our business volumes, adversely impact our ability to access the capital markets and increase our borrowing costs; our investment portfolio may suffer reduced returns or losses which could reduce our profitability; the intense competition that we face could harm our ability to maintain or increase our profitability and premium volume; the inability of our insurance subsidiaries to pay dividends to us in sufficient amounts would harm our ability to meet our obligations and to pay future dividends; assessments and other surcharges for guaranty funds, second-injury funds, catastrophe funds and other mandatory pooling arrangements may reduce our profitability; loss or significant restriction of the use of credit scoring in the pricing and underwriting of Personal Insurance products could reduce our future profitability; disruptions to our relationships with our distributors, independent agents and brokers could adversely affect us; if we experience difficulties with outsourcing relationships, technology and/or data security, our ability to conduct our business might be negatively impacted; and a significant increase in the interest rate environment, changes in regulatory or rating agency capital requirements or significant and adverse changes in the creditworthiness of corporate or municipal issuers of debt or the market for such debt, could adversely affect our investment portfolio and underwriting results.

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. For a more detailed discussion of these factors, see the information under the caption "Risk Factors" in our most recent annual report on Form 10-K/A filed with the Securities and Exchange Commission.

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In this presentation, we may refer to some non-GAAP financial measures, including, among others, operating income, operating income excluding catastrophes, operating return on equity, underwriting gain (loss), GAAP combined ratio excluding catastrophes and prior year development and adjusted and tangible book value per common share. 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 with our quarterly earnings release which is available on the Travelers website under the investor section ([www.travelers.com](http://www.travelers.com)).

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# Travelers: A High Performing Company with Sustainable Competitive Advantages

- An industry leader, with consistent strong performance

|      | Operating     |                          |       |
|------|---------------|--------------------------|-------|
|      | Income        | Income Per Diluted Share | ROE   |
| 2007 | \$4.5 Billion | \$6.71                   | 17.7% |
| 2006 | \$4.2 Billion | \$5.90                   | 17.9% |
| 2005 | \$2.0 Billion | \$2.90                   | 9.6%  |

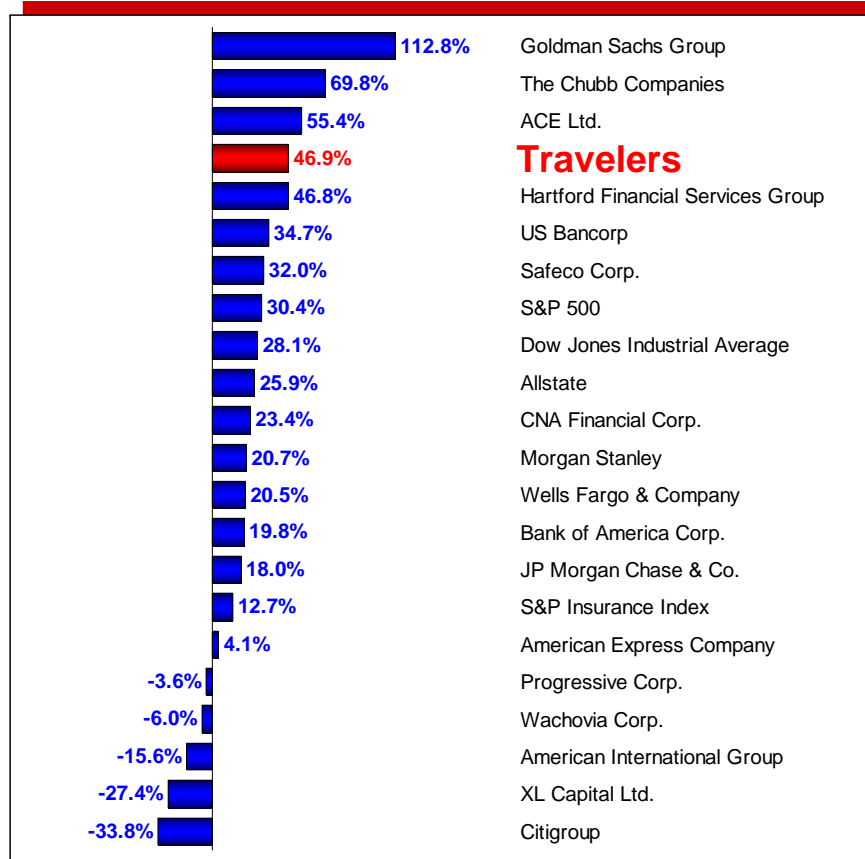
- Very strong balance sheet
  - Negligible asset exposure and defined liability exposure to recent sub-prime market dislocations
- Ability to manage through a more competitive environment
  - Successful experience in the 1990's by this management team
  - Reputation and superior position with distributors - resulting in higher retentions
  - Industry leading analytics
  - Unique product breadth
  - Focus on new product development

## Comparison of 2007 Performance and 2008 Guidance

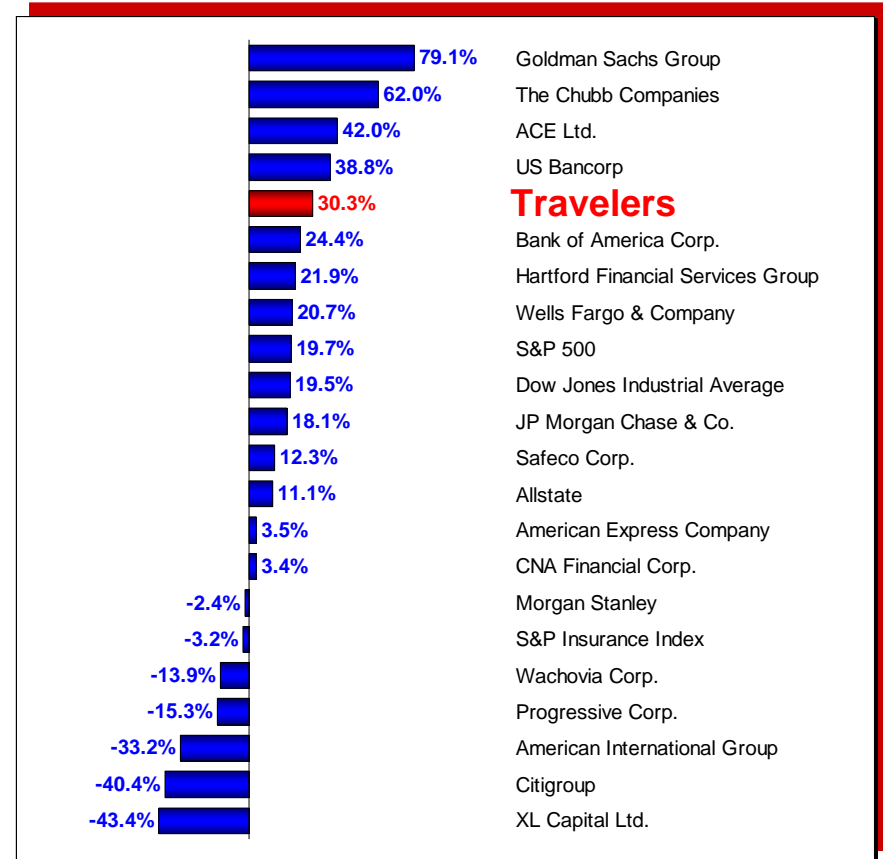
|  |                         |
|--|-------------------------|
| <b>2007 operating income per diluted share<sup>1</sup></b>                   | <b>\$6.71</b>           |
| <i>Operating return on equity</i>  | <i>17.7%</i>            |
| Net favorable prior year reserve development                                 | (0.52)                  |
| Lower than expected level of catastrophe losses                              | (0.36)                  |
| Timing impact of transition to fixed, value based agent compensation program | (0.16)                  |
| Resolution of prior year tax matters   | (0.13)                  |
|  | <u>(1.17)</u>           |
| <b>2008 margin compression of 1 point</b>                                    |                         |
| (1% of 2007 earned premiums of \$21.5 billion or \$215 pre-tax)              | (0.21)                  |
| <b>2008 reduction in non-fixed income portfolio returns</b>                  |                         |
| (2007 \$431 million vs 4Q07 annualized of \$244)                             | (0.28)                  |
| <b>Change in weighted average diluted shares due to repurchase program</b>   |                         |
| (Weighted average diluted shares of 672 in 2007 and 618 in 2008)             | 0.44                    |
|  | <u>\$5.49</u>           |
| <b>Guidance provided</b>   | <b>\$5.40 to \$5.75</b> |
| <i>Approximate operating return on equity</i>                                | <i>13% to 14%</i>       |

# Total Return<sup>1</sup> Since Travelers / St. Paul Merger

3/31/2004 to 12/31/2007



3/31/2004 to 2/12/2008



**Travelers has significantly outperformed the S&P 500, Dow Jones and S&P insurance index**



<sup>1</sup> Includes dividend reinvestment in security  
Source: Thomson Financial

# Very Strong Financial Position

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

|  | December 31,     |                  |
|--|------------------|------------------|
|  | 2007             | 2006             |
| Debt   | \$ 6,242         | \$ 5,760         |
| Preferred equity   | 112              | 129              |
| Common equity <sup>1</sup>                               | 25,884           | 24,553           |
| <b>Total capital <sup>1</sup></b>                        | <b>\$ 32,238</b> | <b>\$ 30,442</b> |
| <b>Debt to total capital <sup>1</sup></b>                | <b>19.4%</b>     | <b>18.9%</b>     |
| <b>Common shares outstanding</b>                         | <b>627.8</b>     | <b>678.3</b>     |
| <b>Book value per common share</b>                       | <b>\$ 42.22</b>  | <b>\$ 36.86</b>  |
| <b>Adjusted book value per common share <sup>1</sup></b> | <b>\$ 41.23</b>  | <b>\$ 36.20</b>  |
| <b>Tangible book value per common share <sup>1</sup></b> | <b>\$ 34.74</b>  | <b>\$ 30.21</b>  |
| <b>Statutory surplus</b>                                 | <b>\$ 22,878</b> | <b>\$ 20,945</b> |
| <b>Holding company liquidity</b>                         | <b>\$ 1,617</b>  | <b>\$ 1,447</b>  |

<sup>1</sup> Excludes FAS 115

## Capital

- At or above target levels for all rating agencies
- Under review for upgrade from Moody's (11/20/2007)
- Continue to generate excess capital and repurchase shares
  - \$1.0 billion of share repurchases in 4Q 2007 and \$2.9 billion for full year 2007
  - Additional share repurchase authorization of \$5 billion on 1/28/2008

## Leverage

- Debt to total capital ratio below targets
  - Low level of maturing debt
    - 1Q 2008 \$400 million
    - 4Q 2008 \$149 million
    - 1Q 2009 \$134 million
- } Can self-fund all maturing debt

## Liquidity

- Holding company liquidity \$500 million above target level
- Not reliant on and not active in commercial paper market
- Substantial liquidity allows opportunistic access to capital markets

## Very high credit quality investment portfolio

- Fixed maturities portfolio average quality rating: AA1, AA+
- Pre-tax unrealized gain of \$937 million at 12/31/2007
- Negligible exposure to sub-prime / Alt-A mortgages, commercial mortgage-backed securities, SIV related assets and owned real estate
- Immaterial exposure to changes in ratings of municipal bond insurers

## Travelers Operating Strengths

- Seasoned management team with experience through cycles
- Unparalleled product breadth and underwriting specialization
- Strong agency relationships with leading market position
- Ease of doing business
- Claim effectiveness
- Sophisticated business analytics

# Travelers - Illustrative Business Statistics

|                                 | Retention |       |       |       |       |       |       |       |
|---------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|
|                                 | 1Q 06     | 2Q 06 | 3Q 06 | 4Q 06 | 1Q 07 | 2Q 07 | 3Q 07 | 4Q 07 |
| Select Accounts                 | 83%       | 83%   | 82%   | 79%   | 81%   | 82%   | 82%   | 83%   |
| Commercial Accounts             | 86%       | 86%   | 87%   | 86%   | 86%   | 86%   | 85%   | 86%   |
| Other Business Insurance        | 81%       | 80%   | 82%   | 81%   | 82%   | 80%   | 80%   | 81%   |
| Financial Products              | 81%       | 83%   | 83%   | 82%   | 84%   | 85%   | 82%   | 86%   |
| International                   | 85%       | 78%   | 83%   | 85%   | 86%   | 84%   | 81%   | 86%   |
| Automobile <sup>1,2</sup>       | 84%       | 84%   | 84%   | 83%   | 83%   | 83%   | 83%   | 83%   |
| Homeowners & Other <sup>1</sup> | 87%       | 87%   | 87%   | 87%   | 86%   | 86%   | 86%   | 86%   |

**Continued historically high retentions**

|                          | Renewal Price Change <sup>3</sup> |       |       |       |       |       |       |       |
|--------------------------|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|
|                          | 1Q 06                             | 2Q 06 | 3Q 06 | 4Q 06 | 1Q 07 | 2Q 07 | 3Q 07 | 4Q 07 |
| Select Accounts          | 3%                                | 4%    | 5%    | 4%    | 3%    | 2%    | 2%    | 1%    |
| Commercial Accounts      | 1%                                | 3%    | 3%    | -2%   | -1%   | -3%   | -1%   | -5%   |
| Other Business Insurance | 3%                                | 5%    | 3%    | 1%    | 1%    | -1%   | -3%   | -4%   |
| Financial Products       | 7%                                | 4%    | 5%    | -1%   | 4%    | -2%   | 1%    | -1%   |
| International            | 4%                                | 5%    | 1%    | -3%   | 0%    | -2%   | -1%   | -2%   |
| Automobile <sup>2</sup>  | 1%                                | 1%    | 2%    | 3%    | 4%    | 3%    | 3%    | 2%    |
| Homeowners & Other       | 5%                                | 5%    | 6%    | 7%    | 9%    | 10%   | 8%    | 8%    |

**Renewal price changes were slightly lower than recent quarters**

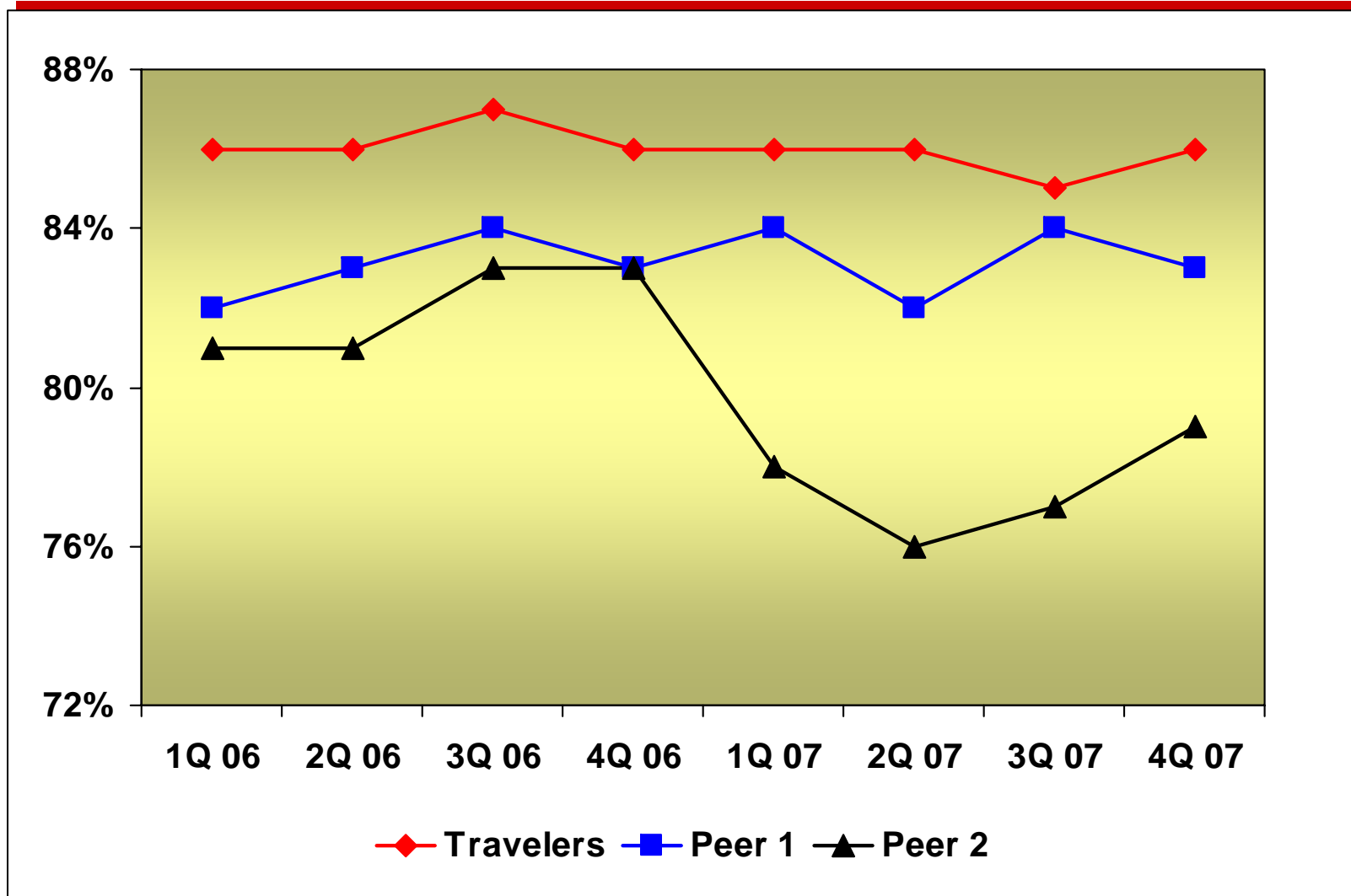
<sup>1</sup> The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

<sup>2</sup> Statistics for standard voluntary auto, excluding Massachusetts.

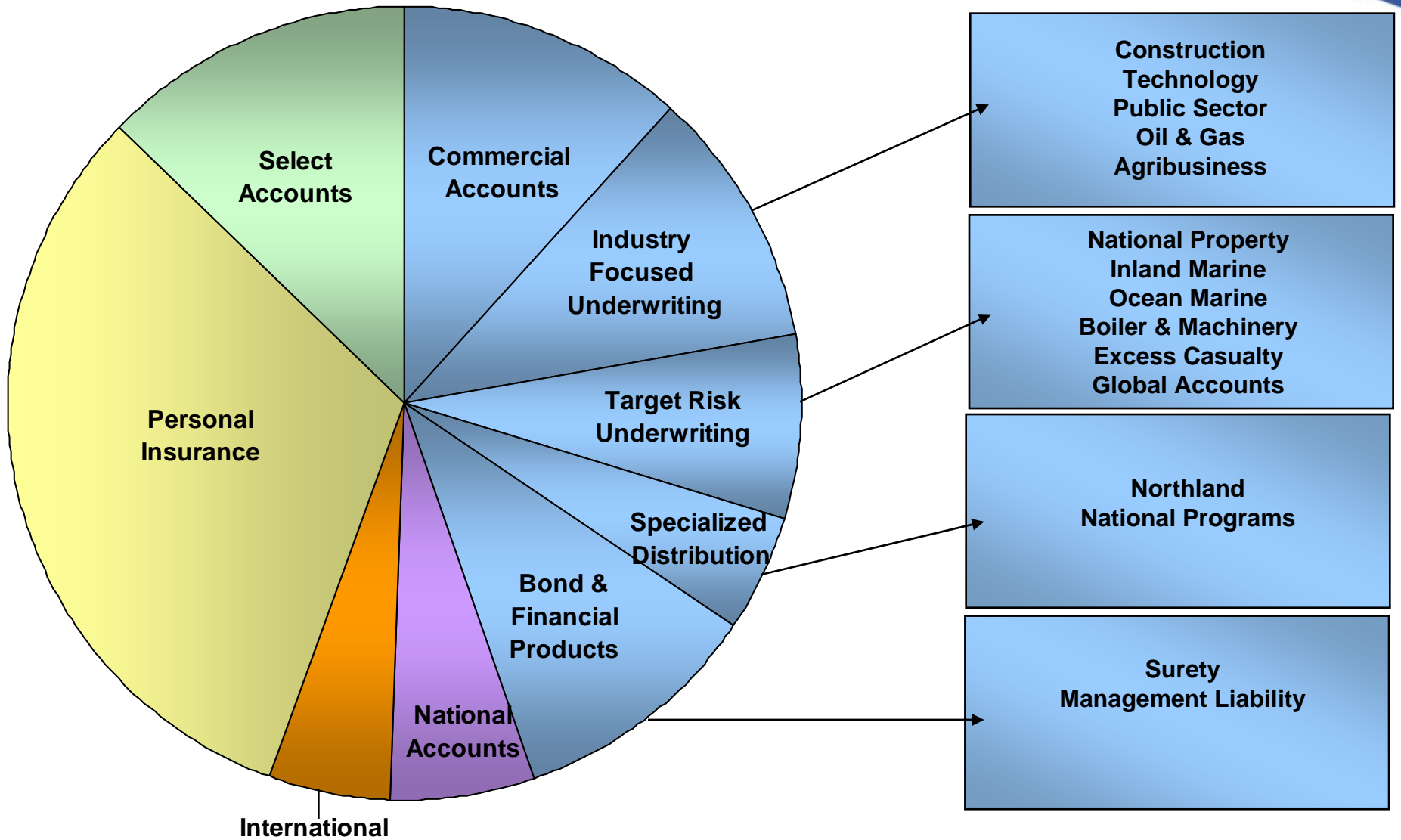
<sup>3</sup> Each percentage represents the estimated change in average premium on policies that renew, including rate and exposure changes, vs. the average premium on those same policies for their prior term.



## Retention: Commercial Lines Middle Market

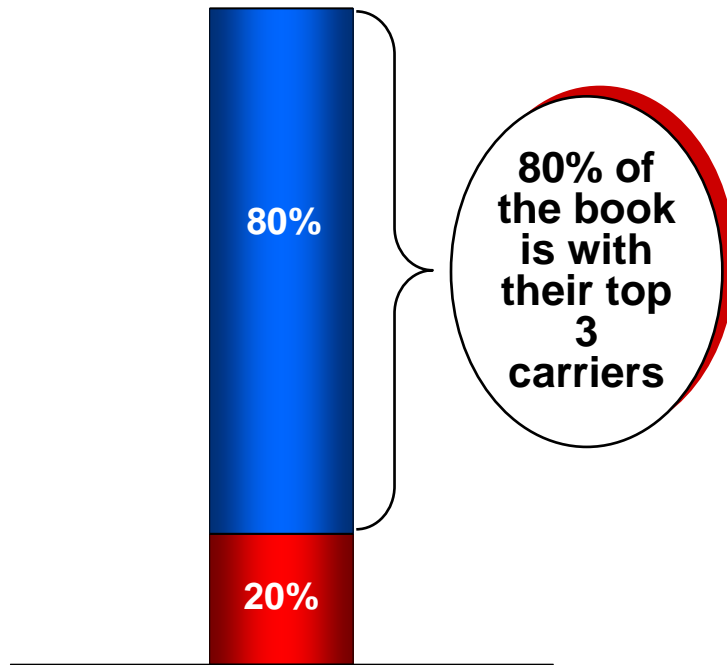


# Unique Product Breadth



# Powerful Relationship with Independent Agents

## Average Share of Middle Market Written Premium With Top 3 Carriers <sup>1</sup>



## Agency Preference <sup>2</sup>

- Percentage of agents who responded that Travelers was one of the top 5 companies they do business with:

### Commercial Lines

- #1. Travelers: 65%
- #2. company: 43%

### Personal Lines

- #1. Travelers: 43%
- #2. company: 34%

<sup>1</sup> Source: June 2007 Copernicus Market Research Telephone Survey; Booz Allen analysis.

<sup>2</sup> Source: Goldman Sachs Agency Preference Survey, August 15, 2007.

Our Mission

**Create Shareholder Value**

Model in Place



# Management Liability

## Appendix

# Management Liability – Portfolio Profile

(\$ in millions)

## A well-diversified portfolio of management liability products

### Management liability premiums estimated to be potentially exposed to sub-prime issues:

| Coverage   | 2007 Gross Written Premium |                 |                 |
|--|----------------------------|-----------------|-----------------|
|  | Exposed <sup>1</sup>       | Not Exposed     | Total           |
| Directors & Officers (D&O)                                       | \$ 80                      | \$ 390          | \$ 470          |
| Fiduciary  | 10                         | 90              | 100             |
| Errors & Omissions (E&O)   | 125                        | 530             | 655             |
| Other <sup>2</sup>   | -                          | 385             | 385             |
| <b>Total Management Liability</b>                                | <b>\$ 215</b>              | <b>\$ 1,395</b> | <b>\$ 1,610</b> |
| <i>Exposed as a percentage of total management liability GWP</i> | 13.4%                      |                 |                 |
| <i>Exposed as a percentage of total TRV GWP</i>                  | 0.9%                       |                 |                 |

<sup>1</sup> Includes accounts in directly impacted industries, including large financial institutions, sub-prime lenders, bond insurers, homebuilders and suppliers, etc.

<sup>2</sup> Other products not exposed include Fidelity, Crime, Employment Practices Liability and Identity Theft.

## Management Liability - Exposed Policy Information

- Claims-made policies
  - Contains cumulative exposure vs. occurrence policies
  - Defense costs inside limits
- Profile of exposed policies

|                     | <b>Gross Policy<br/>Limits</b> | <b>Gross<br/>Average<br/>Policy Limits</b> | <b>Percentage<br/>of GWP<br/>Primary / Excess</b> | <b>Average<br/>Excess<br/>Attachment<br/>Point</b> |
|---------------------|--------------------------------|--|---|--|
| D&O, Fiduciary, E&O | \$5 - 25 million               | \$7 million                                | 40% / 60%   | \$40 million                                       |
| D&O only            | \$5 - 25 million               | \$8 million                                | 30% / 70%   | \$52 million                                       |

- Reinsurance generally limits the maximum retention to \$12 million per policy, subject to an approximate annual aggregate of \$375 million
- Since March 2007, increasingly incorporated consideration of sub-prime concerns into the company's underwriting approach.

# Management Liability - Exposed Policy Analysis

## ➤ In-depth review of exposed policies

- Step 1: Individual accounts with reported claims or notices of potential claims
- Step 2: Individual accounts with heightened risk (accounts with credit-related announcements or individual accounts with particular risk characteristics, such as large financial institutions, sub-prime lenders, bond insurers, and homebuilders and suppliers, etc.)
- Step 3: Aggregate actuarial review of all remaining accounts

## ➤ Individual accounts reviewed by a team of specialists from claim, actuarial and underwriting. Reviews consisted of:

- Current circumstances and information available-to-date
- Coverage structure, including product, limit and attachment point
- Reinsurance limit, application and availability



## Management Liability - Exposed Policies Reported Claims or Notices of Potential Claims (as of 12-31-07)

(\$ in millions)

|                        |                               | Number    | Average<br>Gross<br>Limit | Average<br>Excess<br>Attachment |
|------------------------|-------------------------------|-----------|---------------------------|---------------------------------|
| <b>Primary</b>         | D&O                           | 3         | \$ 12                     |                                 |
|                        | Other                         | 2         | 6                         |                                 |
|                        | <b>Subtotal / Average</b>     | <b>5</b>  | <b>10</b>                 |                                 |
| <b>Excess</b>          | D&O                           | 16        | 11                        | \$ 60                           |
|                        | D&O: A-side only <sup>1</sup> | 5         | 18                        | 134                             |
|                        | Other                         | 4         | 6                         | 23                              |
|                        | <b>Subtotal / Average</b>     | <b>25</b> | <b>12</b>                 | <b>69</b>                       |
| <b>Total / Average</b> |                               | <b>30</b> | <b>\$ 11</b>              | <b>\$ 69</b>                    |

- The 2007 financial statements and the 2008 guidance incorporate estimates for sub-prime losses and, in the aggregate, reflect the results of the in-depth review of exposed management liability accounts
- The estimate for sub-prime losses in the 2008 guidance is not materially different from the estimated losses for 2007; and we expect the management liability business will continue to meet the company's return thresholds in 2008 as it did in 2007

## 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](http://www.sec.gov))**
- **Copies of this presentation are publicly available on the Travelers website ([www.travelers.com](http://www.travelers.com))**



**TRAVELERS**  **J**