



The Travelers Companies, Inc.

Fourth Quarter 2014 Results

Long-Term Financial Strategy



CREATE SHAREHOLDER VALUE

Objective: Mid-Teens Operating ROE *Over Time*

Fourth Quarter 2014 Overview

Travelers Reports Record Fourth Quarter and Full Year Net and Operating Income per Diluted Share

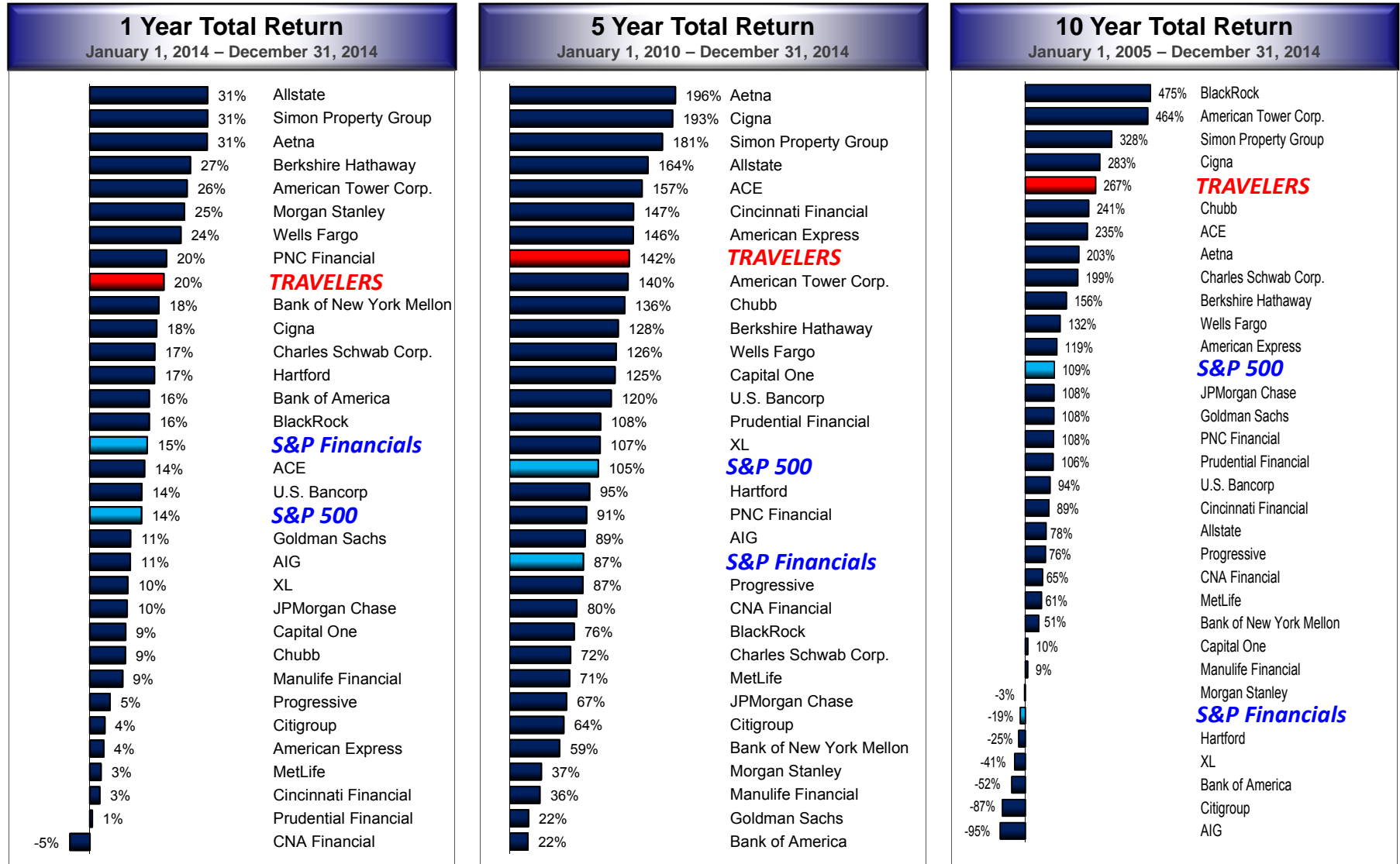
Quarterly Net and Operating Income per Diluted Share of \$3.11 and \$3.07, Both up 15% from Prior Year Quarter, Generated Return on Equity of 16.6% and Operating Return on Equity of 17.7%

Full Year Net and Operating Income per Diluted Share of \$10.70 and \$10.55, up 10% and 12%, Respectively, from Prior Year, Generated Return on Equity of 14.6% and Operating Return on Equity of 15.5%

- Net income and operating income of \$1.038 billion and \$1.023 billion increased 5% and 4%, respectively, from prior year quarter.
- Net written premiums of \$5.836 billion increased 4% from prior year quarter primarily due to growth in domestic business insurance and the acquisition of Dominion of Canada in November 2013.
- Total capital returned to shareholders of \$1.183 billion in the quarter, including \$1.001 billion in share repurchases. Full year total capital returned to shareholders of \$4.068 billion.
- Increases in book value per share of 10% to \$77.08 and adjusted book value per share of 7% to \$70.98 from year-end 2013.
- Board of Directors approves quarterly dividend per share of \$0.55.

Total Return¹

20 Largest S&P Financial Companies² & Other Selected Financial Companies



Source: SNL Financial

- (1) Total return is a concept used to compare the performance of a company's stock over time and is the ratio of the net stock price change plus the cumulative amount of dividends over the specified time period, assuming dividend reinvestment, to the stock price at the beginning of the time period. Total return to shareholders is not included as an indication of future performance.
- (2) By market capitalization as of December 31, 2014.

Consolidated Performance

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

	Fourth Quarter			Year-to-Date		
	2014	2013	Change	2014	2013	Change
Operating income	\$ 1,023	\$ 981	4 %	\$ 3,641	\$ 3,567	2 %
<i>per diluted share</i>	\$ 3.07	\$ 2.68	15 %	\$ 10.55	\$ 9.46	12 %
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 230	\$ 166		\$ 616	\$ 552	
Catastrophes, net of reinsurance	(27)	(37)		(462)	(387)	
Resolution of prior year tax matters	-	-		-	63	
Settlement of legal proceeding	-	-		-	59	
Reduction in state assessment liability	-	-		49	-	
Total items	\$ 203	\$ 129		\$ 203	\$ 287	
Loss and loss adjustment ratio	52.8 %	56.0 %		57.6 %	57.9 %	
Underwriting expense ratio	32.2	31.7		31.4	31.9	
Combined ratio ¹	85.0 %	87.7 %	2.7 pts	89.0 %	89.8 %	0.8 pts
Net favorable prior year reserve development	5.9	4.4		3.9	3.7	
Catastrophes, net of reinsurance	(0.7)	(0.9)		(3.0)	(2.6)	
Underlying combined ratio	90.2 %	91.2 %	1.0 pts	89.9 %	90.9 %	1.0 pts

Very Strong Financial Position

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

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Debt	\$ 6,349	\$ 6,346
Common equity ¹	<u>22,870</u>	<u>23,474</u>
Total capital ¹	<u>\$ 29,219</u>	<u>\$ 29,820</u>
<i>Debt-to-capital</i> ¹	<i>21.7%</i>	<i>21.3%</i>
Common shares outstanding	322.2	353.5
Book value per common share	\$ 77.08	\$ 70.15
Adjusted book value per common share ¹	\$ 70.98	\$ 66.41
Tangible book value per common share ^{1,2}	\$ 59.00	\$ 55.29
Statutory capital and surplus	\$ 21,049	\$ 21,123
Holding company liquidity	\$ 1,587	\$ 1,587

Capital

- At or above target levels for all rating agencies.
- Repurchased 9.7 million shares during the fourth quarter 2014 and 35.8 million shares year-to-date at a total cost of \$1.001 billion and \$3.333 billion, respectively.
- Dividends in the fourth quarter and year-to-date were \$182 million and \$735 million, respectively.

Leverage

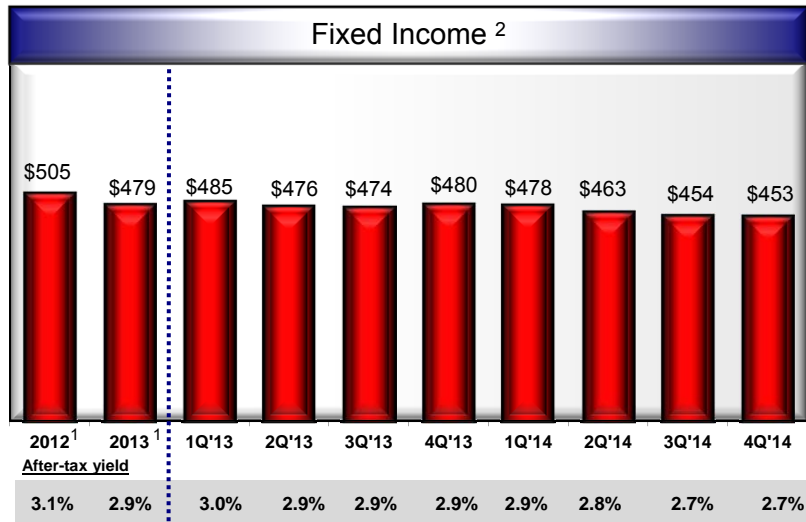
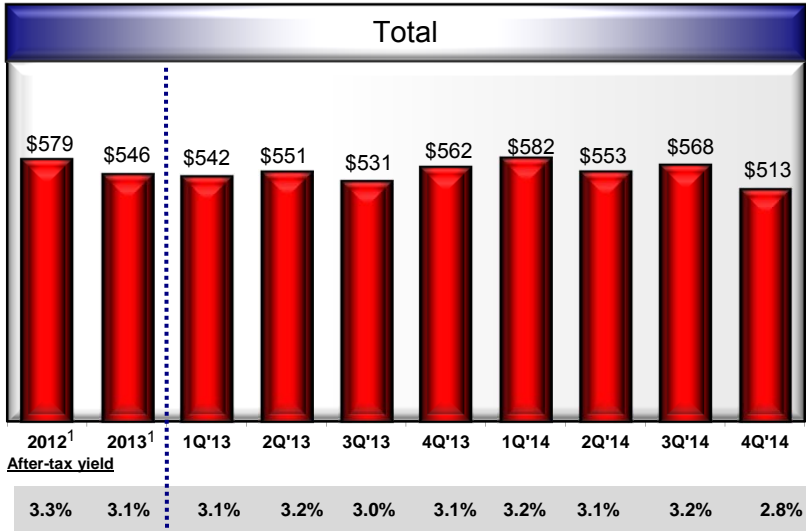
- Debt-to-capital ratio¹ of 21.7%, comfortably within target range.
- Low level of maturing debt.
 - 2015 \$400 million
 - 2016 \$400 million
 - 2017 \$450 million

Very high quality investment portfolio

- Net unrealized investment gains of \$1.966 billion after-tax (\$3.008 billion pre-tax) at December 31, 2014.

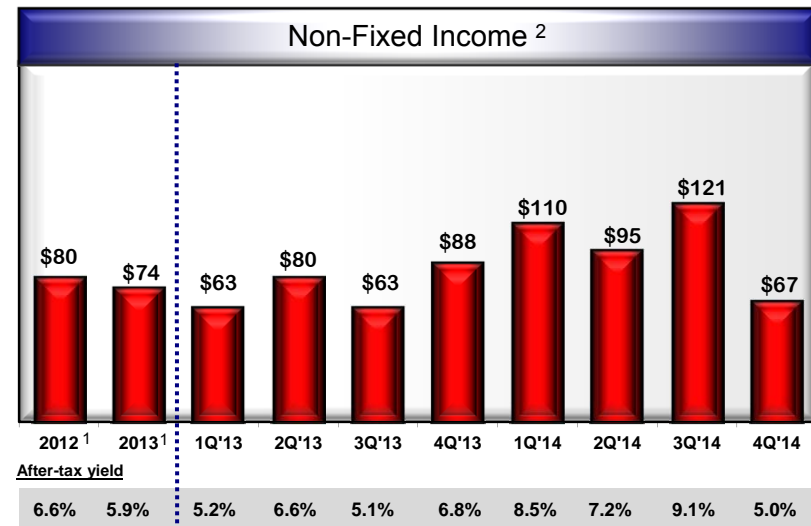
Net Investment Income

(\$ in millions, after-tax)



Fourth Quarter 2014 Commentary

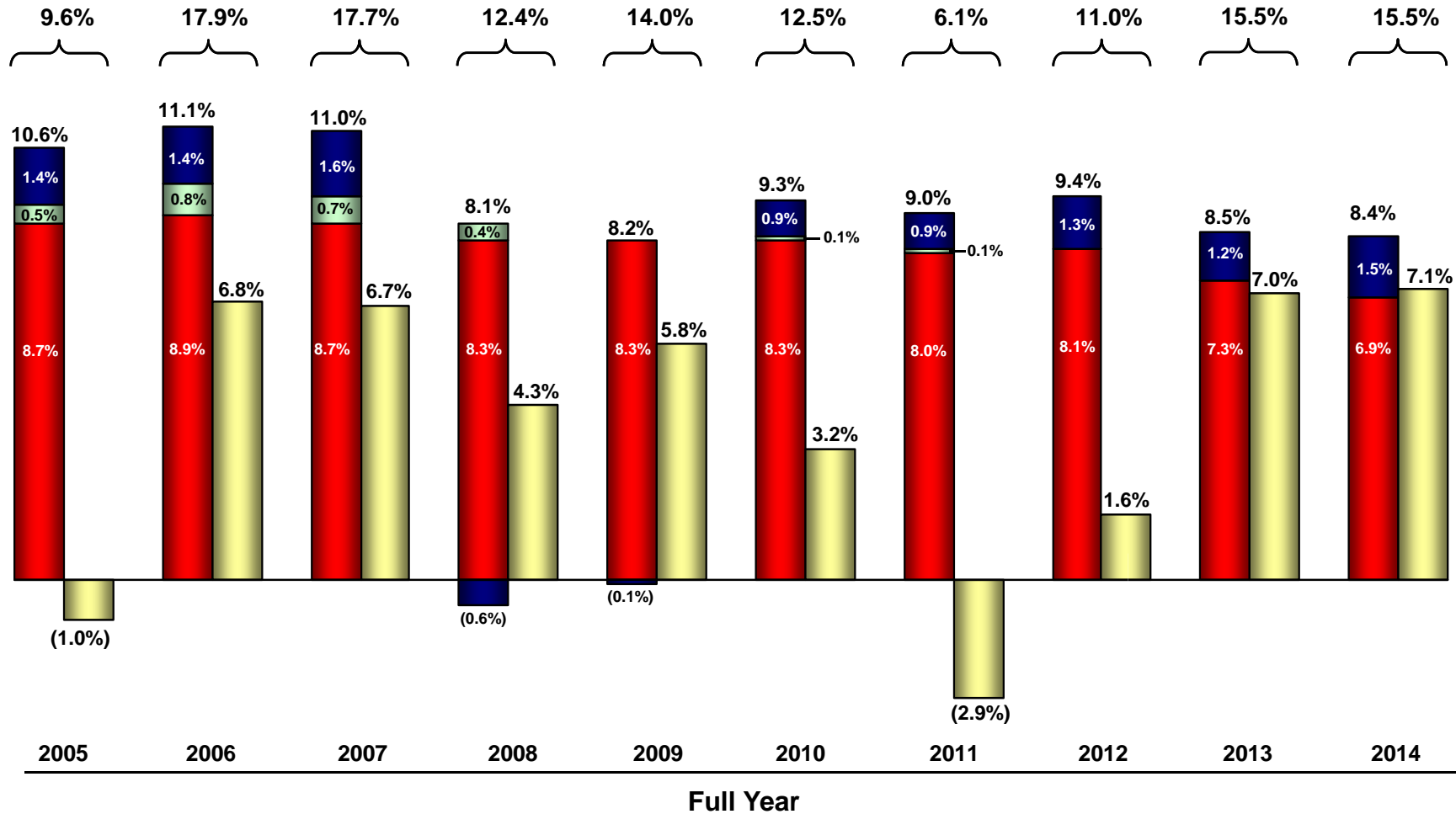
- Net investment income from the long-term fixed income portfolio declined modestly from the prior year quarter due to lower reinvestment rates and volume/mix
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Net investment income from the non-fixed income portfolio decreased from the prior year quarter due to private equity and hedge fund returns



¹ 2012 and 2013 data represent 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 Jan. 1, 2005 through Dec. 31, 2014, TRV's average annual operating ROE was approximately 13.3%

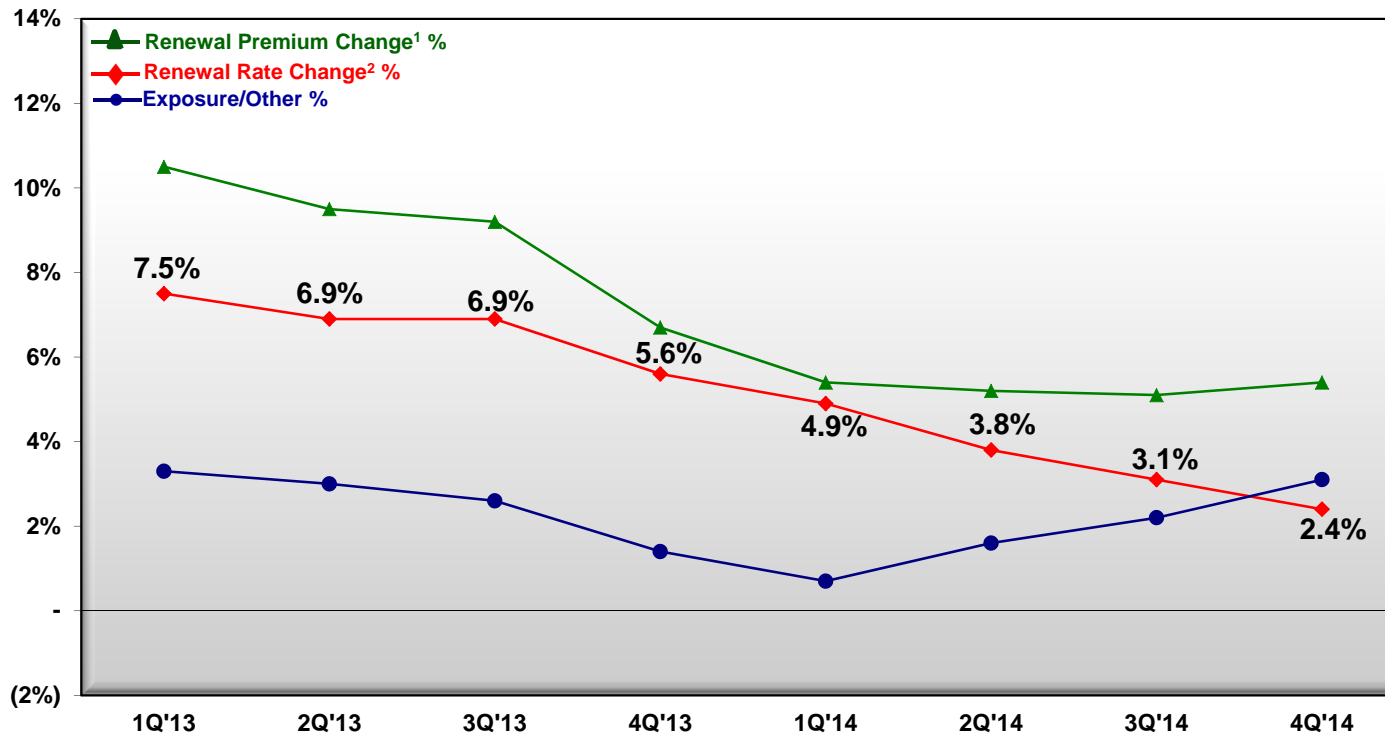
Business and International Insurance Performance

(\$ in millions)

	Fourth Quarter			Year-to-Date		
	2014	2013	Change	2014	2013	Change
Operating income	\$ 630	\$ 631	- %	\$ 2,347	\$ 2,404	(2) %
Loss and loss adjustment ratio	57.4 %	59.9 %		61.6 %	60.8 %	
Underwriting expense ratio	32.4	31.6		31.5	32.0	
Combined ratio ¹	89.8 %	91.5 %	1.7 pts	93.1 %	92.8 %	(0.3) pts
Net favorable prior year reserve development	4.3	3.4		2.2	3.0	
Catastrophes, net of reinsurance	(0.2)	(1.4)		(2.5)	(2.5)	
Underlying combined ratio	93.9 %	93.5 %	(0.4) pts	92.8 %	93.3 %	0.5 pts
Net written premiums						
Domestic:						
Select Accounts	\$ 630	\$ 637	(1) %	\$ 2,707	\$ 2,724	(1) %
Middle Market	1,511	1,373	10	6,108	5,862	4
National Accounts	255	255	-	1,047	1,010	4
First Party	373	354	5	1,579	1,552	2
Specialized Distribution	262	254	3	1,074	1,085	(1)
Total Domestic	3,031	2,873	5	12,515	12,233	2
International	544	492	11	2,121	1,279	66
Total Business and International Insurance	\$ 3,575	\$ 3,365	6 %	\$ 14,636	\$ 13,512	8 %

Domestic Business Insurance (Ex. National Accounts)

Illustrative Business Statistics



(\$ in millions)

Retention	80%	79%	79%	80%	81%	81%	82%	83%
Renewal premium change ¹	10.5%	9.5%	9.2%	6.7%	5.4%	5.2%	5.1%	5.4%
New business	\$490	\$460	\$464	\$439	\$445	\$492	\$452	\$464

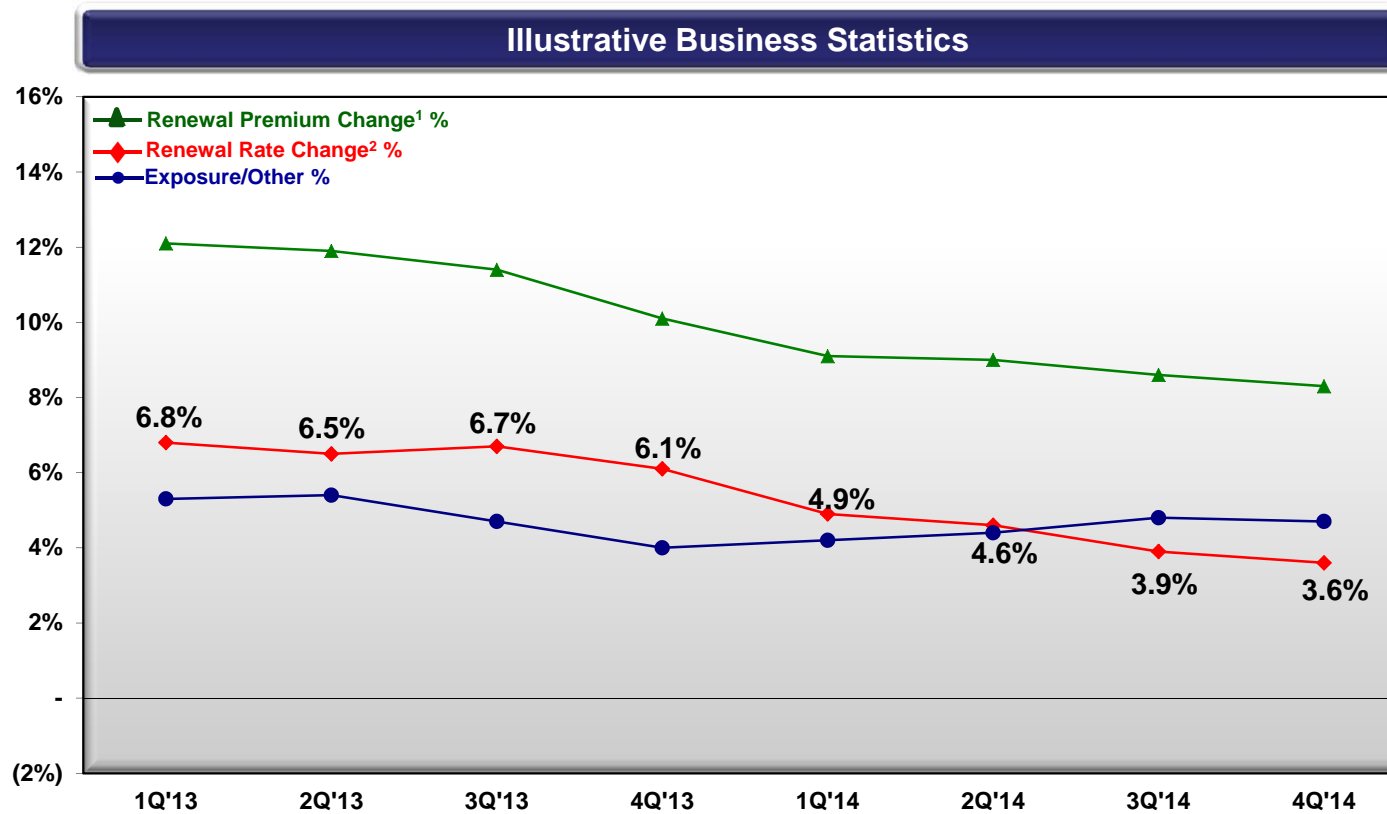


¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

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.

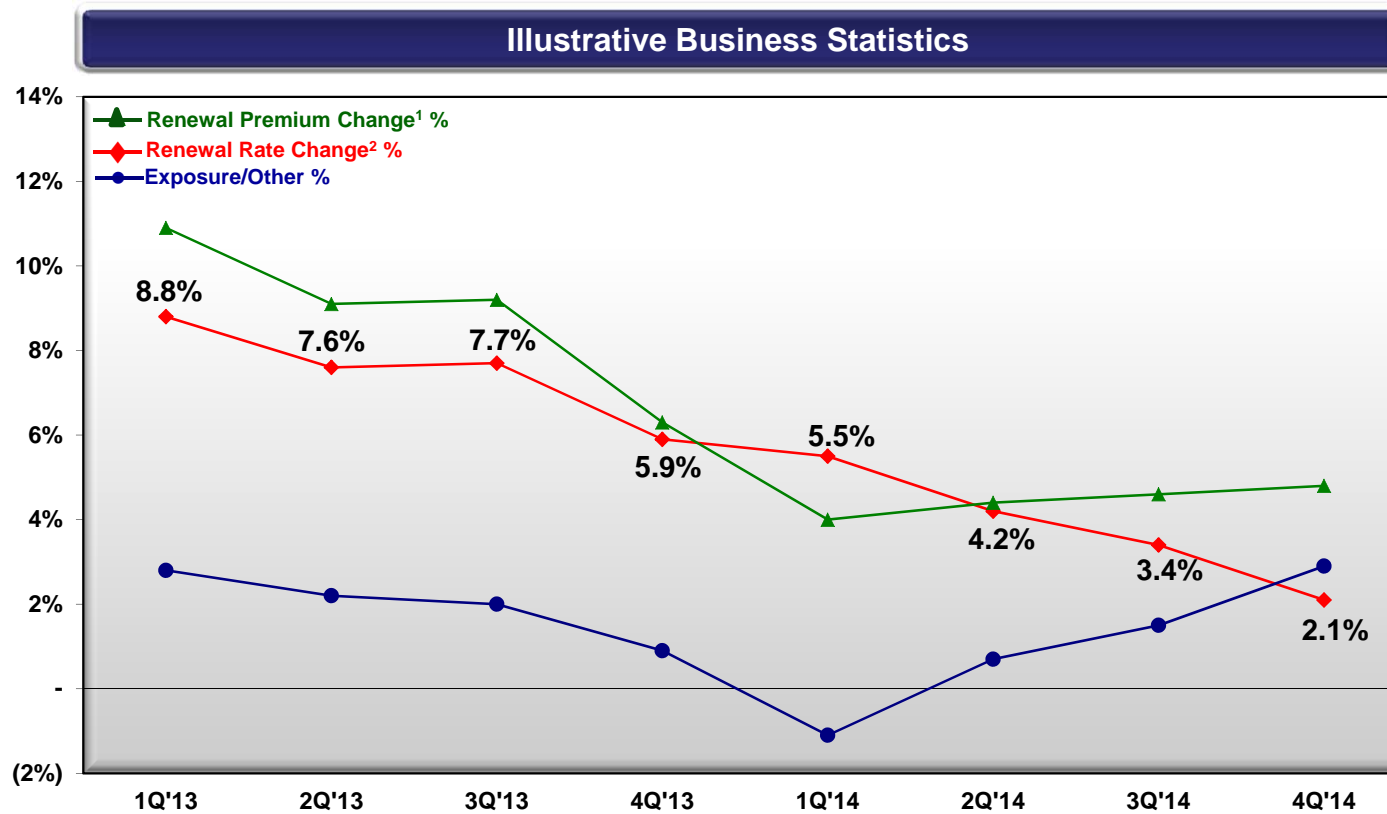
Domestic Business Insurance: *Select Accounts*



(\$ in millions)

Retention	77%	76%	75%	76%	79%	80%	80%	80%
Renewal premium change ¹	12.1%	11.9%	11.4%	10.1%	9.1%	9.0%	8.6%	8.3%
New business	\$106	\$98	\$88	\$89	\$100	\$96	\$92	\$87

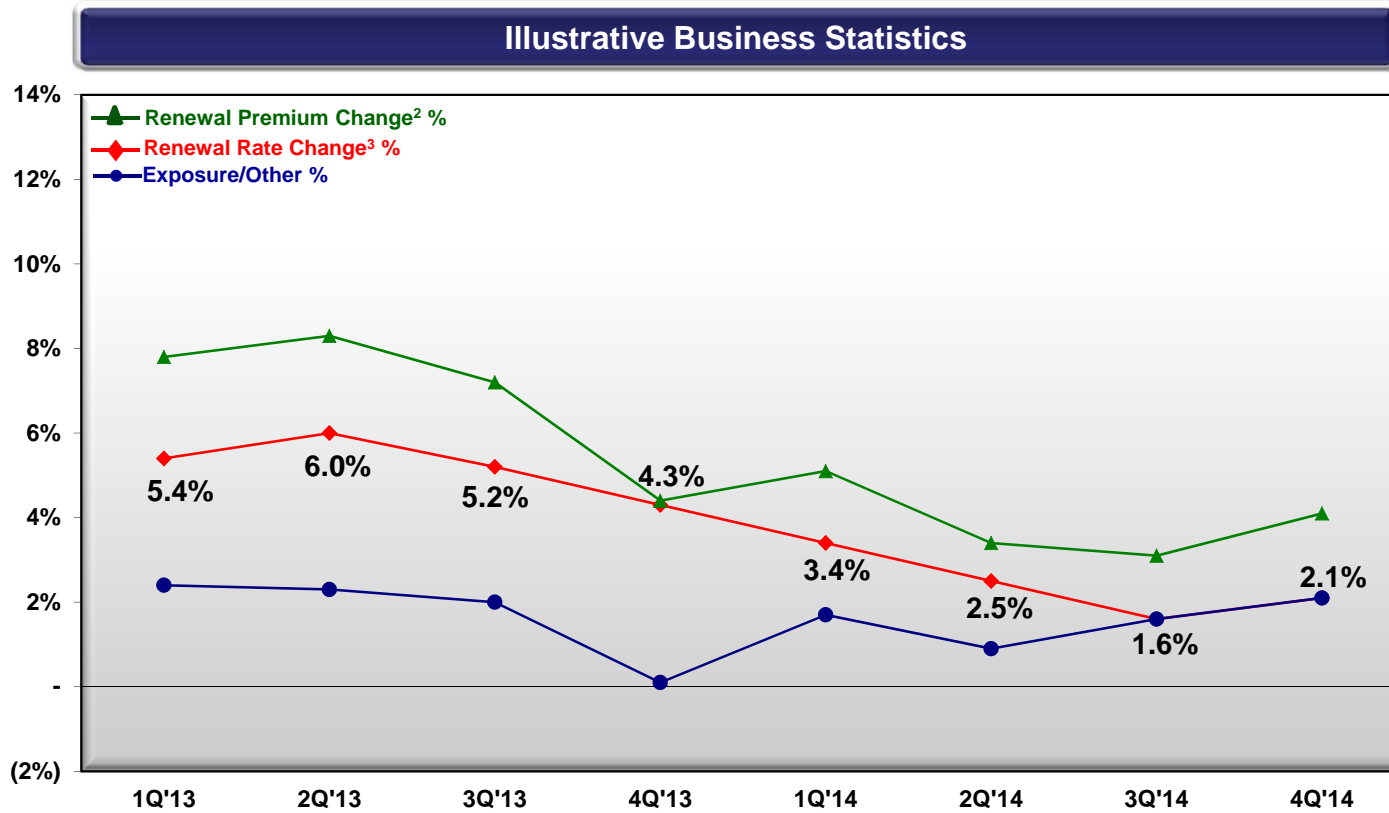
Domestic Business Insurance: *Middle Market*



(\$ in millions)

Retention	83%	82%	82%	83%	83%	83%	84%	84%
Renewal premium change ¹	10.9%	9.1%	9.2%	6.3%	4.0%	4.4%	4.6%	4.8%
New business	\$260	\$215	\$220	\$221	\$221	\$247	\$236	\$253

Domestic Business Insurance: *Other Business Insurance*¹



(\$ in millions)

Retention	78%	78%	78%	77%	76%	78%	78%	81%
Renewal premium change ²	7.8%	8.3%	7.2%	4.4%	5.1%	3.4%	3.1%	4.1%
New business	\$124	\$147	\$156	\$129	\$124	\$149	\$124	\$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 subject to change based on a number of factors, including changes in actuarial estimates.

International Insurance

(\$ in millions)

Illustrative Business Statistics

	2013				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
International ^{1,2}								
Retention	82%	81%	78%	83%	84%	81%	81%	82%
Renewal premium change ³	0.3%	2.1%	1.7%	1.3%	1.7%	2.7%	(0.1%)	2.6%
New business	\$47	\$72	\$51	\$85	\$85	\$92	\$72	\$68

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

² Includes Dominion results effective November 1, 2013

³ 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.

Bond & Specialty Insurance Performance

(\$ in millions)

	Fourth Quarter			Year-to-Date		
	2014	2013	Change	2014	2013	Change
Operating income	\$ 216	\$ 174	24 %	\$ 727	\$ 573	27 %
Loss and loss adjustment ratio	11.1 %	25.0 %		22.8 %	34.7 %	
Underwriting expense ratio	38.6	38.7		38.0	38.7	
Combined ratio ¹	49.7 %	63.7 %	14.0 pts	60.8 %	73.4 %	12.6 pts
Net favorable prior year reserve development	34.4	20.1		21.7	11.7	
Catastrophes, net of reinsurance	-	(0.3)		(0.3)	(0.4)	
Underlying combined ratio	84.1 %	83.5 %	(0.6) pts	82.2 %	84.7 %	2.5 pts
Net written premiums						
Management Liability	\$ 336	\$ 372	(10) %	\$ 1,339	\$ 1,304	3 %
Surety	189	179	6	764	726	5
Total Bond & Specialty Insurance	\$ 525	\$ 551	(5) %	\$ 2,103	\$ 2,030	4 %

Bond & Specialty Insurance

(\$ in millions)

Illustrative Business Statistics

	2013				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Management Liability¹								
Retention	84%	83%	85%	84%	85%	84%	83%	84%
Renewal premium change ²	7.9%	6.9%	7.0%	5.4%	7.0%	3.1%	4.0%	5.0%
New business	\$38	\$37	\$40	\$39	\$36	\$36	\$33	\$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)

	Fourth Quarter			Year-to-Date		
	2014	2013	Change	2014	2013	Change
Operating income	<u>\$ 242</u>	<u>\$ 237</u>	2 %	<u>\$ 824</u>	<u>\$ 838</u>	(2) %
Loss and loss adjustment ratio	55.5 %	57.0 %		59.6 %	59.1 %	
Underwriting expense ratio	<u>29.8</u>	<u>29.9</u>		<u>29.1</u>	<u>29.8</u>	
Combined ratio ¹	85.3 %	86.9 %	1.6 pts	88.7 %	88.9 %	0.2 pts
Net favorable prior year reserve development	0.7	2.0		2.4	2.8	
Catastrophes, net of reinsurance	<u>(1.7)</u>	<u>(0.1)</u>		<u>(4.7)</u>	<u>(3.4)</u>	
Underlying combined ratio	<u>84.3 %</u>	<u>88.8 %</u>	4.5 pts	<u>86.4 %</u>	<u>88.3 %</u>	1.9 pts
Net written premiums						
Agency Automobile ²	\$ 792	\$ 765	4 %	\$ 3,260	\$ 3,258	- %
Agency Homeowners & Other ²	897	913	(2)	3,718	3,805	(2)
Direct to Consumer	<u>47</u>	<u>39</u>	21	<u>187</u>	<u>162</u>	15
Total	<u>\$ 1,736</u>	<u>\$ 1,717</u>	1 %	<u>\$ 7,165</u>	<u>\$ 7,225</u>	(1) %

¹ A benefit to the reported 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

	Fourth Quarter			Year-to-Date		
	2014	2013	Change	2014	2013	Change
Agency Automobile ¹						
Loss and loss adjustment ratio	71.7 %	77.8 %		71.0 %	72.8 %	
Underwriting expense ratio	26.2	26.2		26.2	26.1	
Combined ratio²	97.9 %	104.0 %	6.1 pts	97.2 %	98.9 %	1.7 pts
Net unfavorable prior year reserve development	-	(1.8)		-	(0.6)	
Catastrophes, net of reinsurance	-	-		(1.3)	(0.7)	
Underlying combined ratio	97.9 %	102.2 %	4.3 pts	95.9 %	97.6 %	1.7 pts
Agency Homeowners & Other ¹						
Loss and loss adjustment ratio	40.8 %	38.5 %		49.4 %	46.6 %	
Underwriting expense ratio	30.2	30.7		28.9	30.4	
Combined ratio²	71.0 %	69.2 %	(1.8) pts	78.3 %	77.0 %	(1.3) pts
Net favorable prior year reserve development	1.1	5.1		4.4	5.9	
Catastrophes, net of reinsurance	(3.1)	-		(7.7)	(5.8)	
Underlying combined ratio	69.0 %	74.3 %	5.3 pts	75.0 %	77.1 %	2.1 pts

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

² A benefit to the reported 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	2Q	3Q	4Q
Agency Automobile ¹								
Retention ²	79%	80%	80%	80%	80%	81%	83%	83%
Renewal premium change ³	9.8%	9.2%	7.8%	7.4%	6.8%	6.9%	5.7%	5.0%
Policies in Force (in thousands)	2,191	2,123	2,058	2,010	1,985	1,981	1,990	2,000
• Sequential quarter growth	(3%)	(3%)	(3%)	(2%)	(1%)	-%	-%	1%
• Year over year growth	(11%)	(12%)	(12%)	(11%)	(9%)	(7%)	(3%)	-%
New business	\$79	\$81	\$82	\$86	\$104	\$139	\$166	\$161
Agency Homeowners & Other ¹								
Retention ²	82%	83%	83%	84%	84%	84%	84%	84%
Renewal premium change ³	11.4%	10.8%	10.5%	9.8%	8.2%	7.6%	6.0%	5.9%
Policies in Force (in thousands)	4,484	4,396	4,303	4,209	4,146	4,110	4,072	4,032
• Sequential quarter growth	(2%)	(2%)	(2%)	(2%)	(1%)	(1%)	(1%)	(1%)
• Year over year growth	(9%)	(9%)	(9%)	(8%)	(8%)	(7%)	(5%)	(4%)
New business	\$49	\$71	\$73	\$60	\$56	\$85	\$95	\$83

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



Appendix

2015 Catastrophe Reinsurance

Prior to January 1, 2015	Effective January 1, 2015
<p>General Catastrophe Reinsurance Treaty Covers the accumulation of net property losses arising from one occurrence: 53.3% (\$400 million) of loss covered by treaty and 46.7% (\$350 million) of loss retained by the company part of \$750 million excess of \$1.5 billion.</p>	<p>Corporate Catastrophe Excess-of-Loss Reinsurance Treaty Covers the accumulation of certain property losses arising from one or multiple occurrences: 75% (\$1.5 billion) of qualifying losses covered by treaty and 25% (\$500 million) of qualifying losses retained by the company part of \$2.0 billion excess of \$3.0 billion. Qualifying losses for each occurrence are after a \$100 million deductible.</p>
<p>General Catastrophe Aggregate Excess-of-Loss Reinsurance Treaty Covers the accumulation of certain property losses arising from multiple occurrences: 40% (\$400 million) of qualifying losses covered by treaty and 60% (\$600 million) of qualifying losses retained by the company part of \$1.0 billion excess of \$1.5 billion. Qualifying losses for each occurrence are 90% of \$1.4 billion in excess of \$100 million.</p>	

- In addition to its Corporate Catastrophe Excess-of-Loss Reinsurance Treaty, the following additional catastrophe reinsurance agreements remain in effect as of January 1, 2015:
 - Northeast General Catastrophe Reinsurance Treaty
 - Reinsurance agreements related to the Catastrophe Bonds (Long Point Re III)
 - Business and International Insurance Earthquake Excess-of-Loss Reinsurance Treaty
 - Personal Insurance Earthquake Excess-of-Loss Reinsurance Treaty
 - Canadian Property Catastrophe Excess-of-Loss Reinsurance Contract
 - Other International Reinsurance Treaties

For further information regarding these additional agreements, see the “Catastrophe Reinsurance Coverage” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in the company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and the “Catastrophe Reinsurance” section of “Part 1 – Item 1 – Business” updated in the Form 8-K filed with the SEC on September 10, 2014.

Investment Portfolio: Energy-Related Investments

(\$ in millions)

	As of December 31, 2014	
	Cost	Average Credit Rating ⁴
Below investment grade bonds ¹	\$ 224	Ba2
Publicly traded equity securities ²	216	
Private equities - energy focused ³	343	
Total	\$ 783	
<i>Percent of total investment portfolio</i>	<i>1.1%</i>	

Note: Table above does not include investment grade bonds that have a carrying value and cost basis of \$1.67 billion and \$1.62 billion, respectively, and an average credit rating⁴ of A2.

¹ Fair value of \$218 million as of December 31, 2014. Net unrealized loss of \$6 million pre-tax reflected in shareholders' equity.

² Fair value of \$428 million as of December 31, 2014. Net unrealized gain of \$212 million pre-tax reflected in shareholders' equity. Approximately 75% of the cost and fair value represented by Master Limited Partnerships.

³ Valuation based upon equity method of accounting. Excludes \$224 million of unfunded commitments.

⁴ Rating using external rating agencies or by Travelers when a public rating does not exist.

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. 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.

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, including under reinsurance or structured settlements;
- 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 and network 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 may be subject to claims for infringing the 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 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

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) as updated by the company's Current Report on Form 8-K filed with the SEC on September 10, 2014. 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.

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 (@Travelers) at <https://twitter.com/Travelers>. In addition, you may automatically receive email alerts and other information about Travelers when you enroll your email address by visiting the Email Notification section at <http://investor.travelers.com>.



The Travelers Companies, Inc.
