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## Second Quarter 2015 Results

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# Long-Term Financial Strategy

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## **CREATE SHAREHOLDER VALUE**

Objective: Mid-Teens Operating ROE *Over Time*

## Second Quarter 2015 Overview

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### **Travelers Reports Second Quarter Net Income per Diluted Share of \$2.53, Up 30% from Prior Year Quarter**

#### **Operating Income per Diluted Share of \$2.52, Up 31% from Prior Year Quarter**

#### **Return on Equity and Operating Return on Equity of 13.3% and 14.2%, Respectively**

- Net income and operating income of \$812 million and \$806 million, up 19% and 20%, respectively, from prior year quarter.
- Consolidated combined ratio of 90.8% with strong underwriting results in each business segment.
- Net written premiums of \$6.169 billion comparable to prior year quarter. Continued to achieve very strong business retention.
- Total capital returned to shareholders of \$995 million in the quarter, including \$801 million of share repurchases. Year-to-date total capital returned to shareholders of \$1.845 billion, including \$1.473 billion of share repurchases.
- Book value per share of \$77.51 increased 3% from the prior year quarter end and 1% from year-end 2014. Adjusted book value per share of \$73.09 increased 5% and 3%, respectively, from the same dates.
- Board of Directors approves quarterly dividend per share of \$0.61.

# Consolidated Performance

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

	Second Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<b>\$ 806</b>	<b>\$ 673</b>	<b>20 %</b>	<b>\$ 1,633</b>	<b>\$ 1,725</b>	<b>(5) %</b>
<i>per diluted share</i>	<i>\$ 2.52</i>	<i>\$ 1.93</i>	<i>31 %</i>	<i>\$ 5.05</i>	<i>\$ 4.89</i>	<i>3 %</i>
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 133	\$ 122		\$ 291	\$ 312	
Catastrophes, net of reinsurance	(143)	(284)		(249)	(381)	
<b>Total items</b>	<b>\$ (10)</b>	<b>\$ (162)</b>		<b>\$ 42</b>	<b>\$ (69)</b>	
Loss and loss adjustment ratio	58.9 %	63.6 %		58.2 %	59.9 %	
Underwriting expense ratio	31.9	31.5		31.7	30.6	
<b>Combined ratio <sup>1</sup></b>	<b>90.8 %</b>	<b>95.1 %</b>	<b>4.3 pts</b>	<b>89.9 %</b>	<b>90.5 %</b>	<b>0.6 pts</b>
Net favorable prior year reserve development	3.5	3.1		3.8	4.1	
Catastrophes, net of reinsurance	(3.7)	(7.3)		(3.3)	(5.0)	
<b>Underlying combined ratio</b>	<b>90.6 %</b>	<b>90.9 %</b>	<b>0.3 pts</b>	<b>90.4 %</b>	<b>89.6 %</b>	<b>(0.8) pts</b>
<b>Net Written Premiums</b>	<b>\$ 6,169</b>	<b>\$ 6,162</b>	<b>- %</b>	<b>\$ 12,066</b>	<b>\$ 12,035</b>	<b>- %</b>

# Very Strong Financial Position

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

	June 30, 2015	December 31, 2014
Debt	\$ 6,350	\$ 6,349
Common equity <sup>1</sup>	22,745	22,870
Total capital <sup>1</sup>	<u>\$ 29,095</u>	<u>\$ 29,219</u>
Debt-to-capital <sup>1</sup>	21.8%	21.7%
Common shares outstanding	311.2	322.2
Book value per common share	\$ 77.51	\$ 77.08
Adjusted book value per common share <sup>1</sup>	\$ 73.09	\$ 70.98
Tangible book value per common share <sup>1,2</sup>	\$ 60.81	\$ 59.00
Statutory capital and surplus	\$ 20,851	\$ 21,049
Holding company liquidity	\$ 1,722	\$ 1,587

## Capital

- At or above target levels for all rating agencies.
- Repurchased 7.9 million shares during the second quarter 2015 at a total cost of \$801 million.
- Dividends in the second quarter were \$194 million.

## Leverage

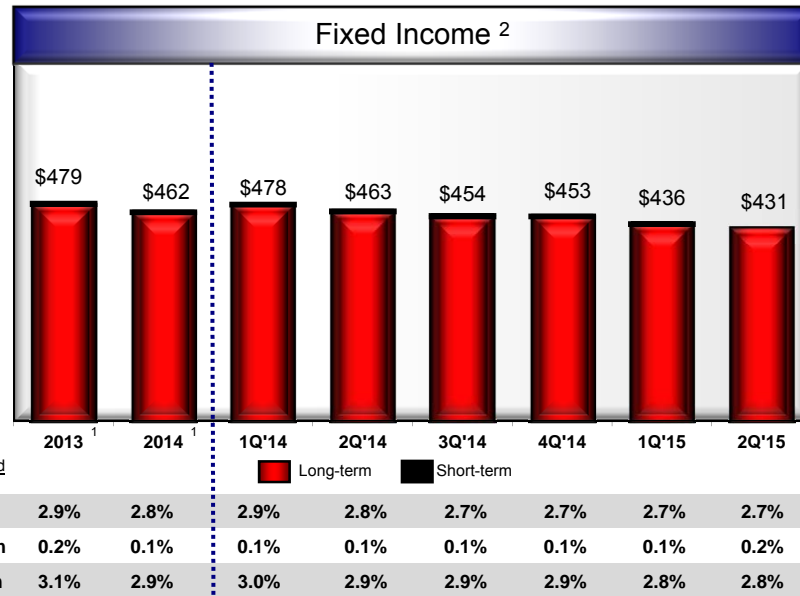
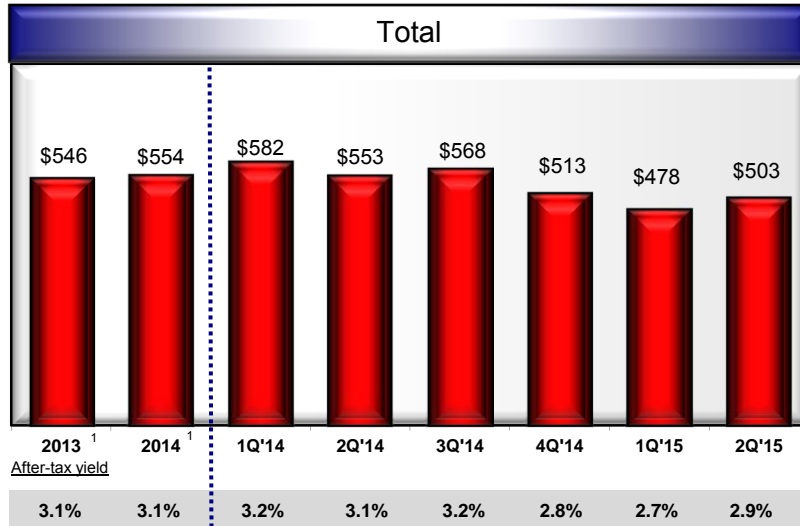
- Debt-to-capital ratio<sup>1</sup> of 21.8%, comfortably within target range.
- Low level of maturing debt.
  - 2015 \$400 million
  - 2016 \$400 million
  - 2017 \$450 million

## Very high quality investment portfolio

- Net unrealized investment gains of \$1.376 billion after-tax (\$2.104 billion pre-tax) at June 30, 2015.
- Fixed maturities average weighted quality Aa2, AA.
- Fixed maturities below investment grade 2.9%.

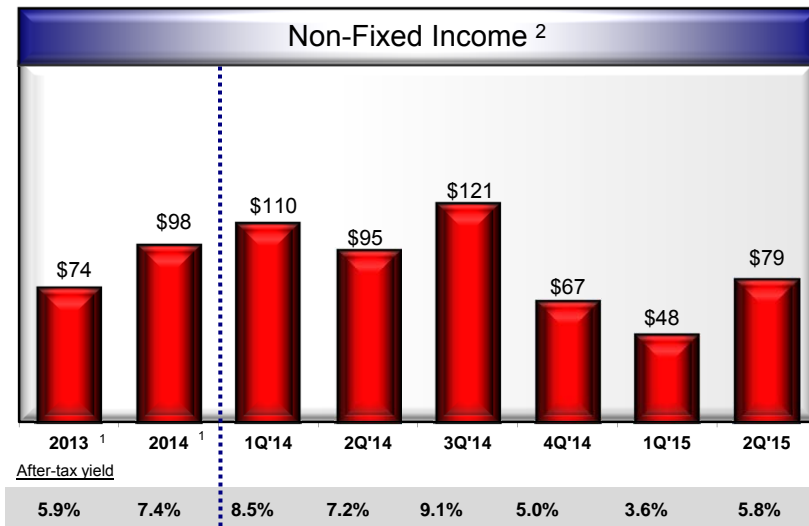
# Net Investment Income

(\$ in millions, after-tax)



## Second Quarter 2015 Commentary

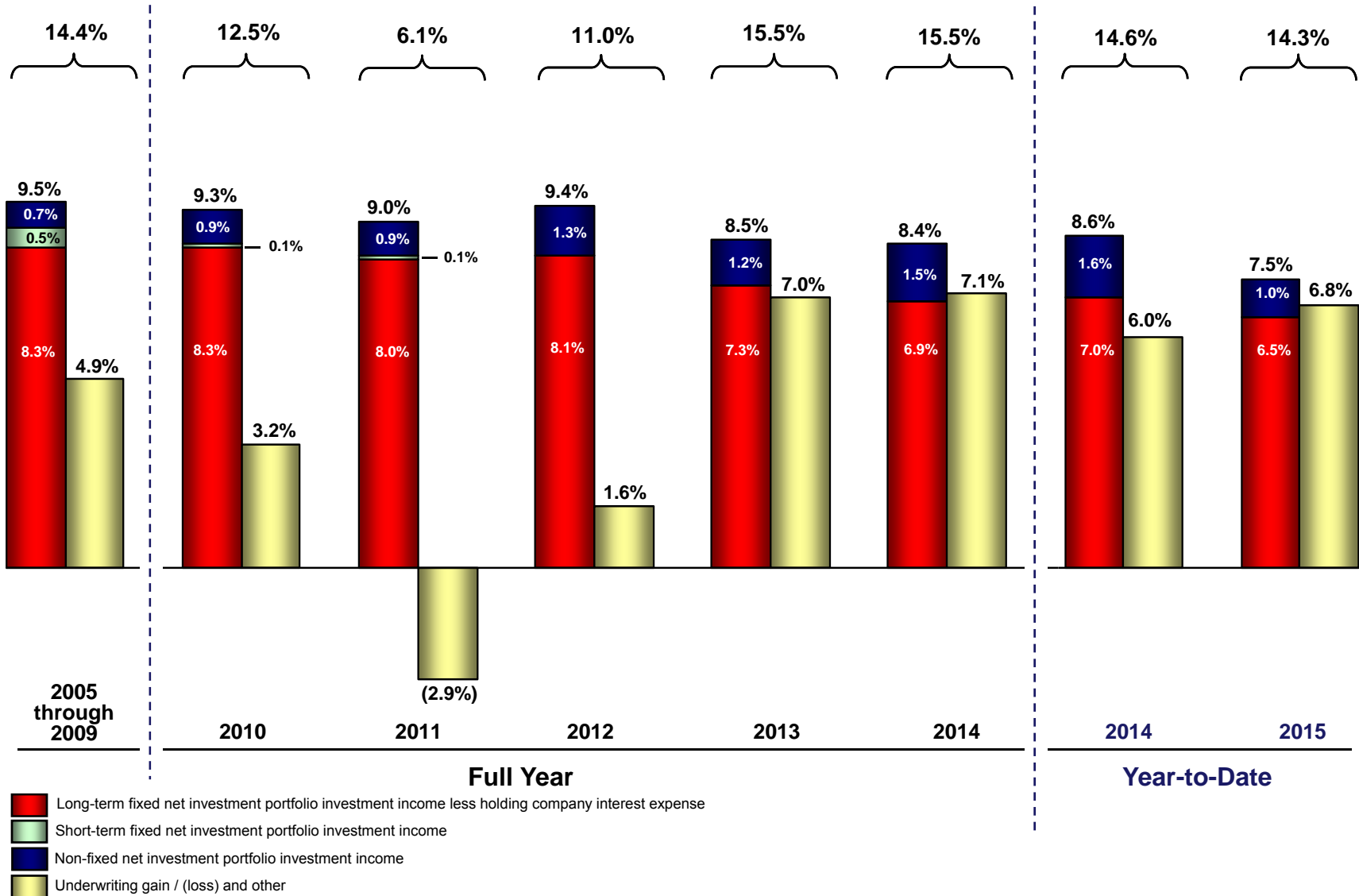
- Net investment income from the long-term fixed income portfolio declined due to lower reinvestment rates and modestly lower fixed income investments that were impacted by the Company's \$579 million payment in the first quarter 2015 related to the settlement of the Asbestos Direct Action Litigation.
- Net investment income from the non-fixed income portfolio declined from a particularly high level in the prior year quarter and were impacted in the current quarter by lower valuations for energy-related investments.



<sup>1</sup> 2013 and 2014 data represents quarterly average

<sup>2</sup> Excludes investment expenses

# Components of Operating Return on Equity



From Jan. 1, 2005 through Jun. 30, 2015, TRV's average annual operating ROE was approximately 13.4%

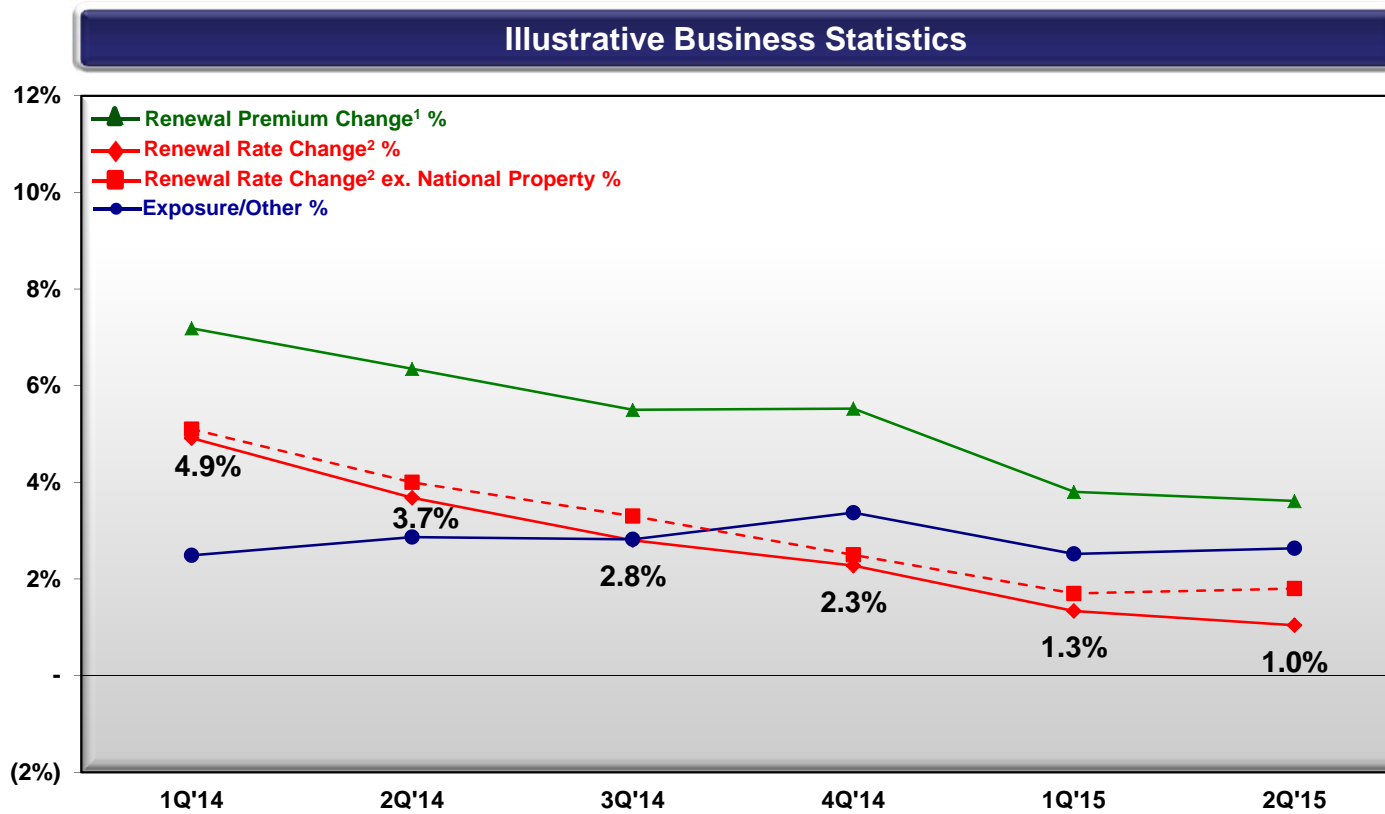
# Business and International Insurance Performance

(\$ in millions)

	Second Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<u>\$ 543</u>	<u>\$ 471</u>	15 %	<u>\$ 1,058</u>	<u>\$ 1,165</u>	(9) %
Loss and loss adjustment ratio	60.6 %	66.2 %		60.9 %	63.0 %	
Underwriting expense ratio	32.6	31.9		32.4	30.7	
<b>Combined ratio <sup>1</sup></b>	<u>93.2 %</u>	<u>98.1 %</u>	4.9 pts	<u>93.3 %</u>	<u>93.7 %</u>	0.4 pts
Net favorable prior year reserve development	2.8	1.3		2.5	2.0	
Catastrophes, net of reinsurance	(2.9)	(6.6)		(2.9)	(4.5)	
<b>Underlying combined ratio</b>	<u>93.1 %</u>	<u>92.8 %</u>	(0.3) pts	<u>92.9 %</u>	<u>91.2 %</u>	(1.7) pts
<b>Net written premiums</b>						
Domestic						
Select Accounts	\$ 709	\$ 705	1 %	\$ 1,431	\$ 1,423	1 %
Middle Market	1,456	1,420	3	3,189	3,052	4
National Accounts	228	243	(6)	527	543	(3)
First Party	452	450	-	792	837	(5)
Specialized Distribution	300	283	6	568	550	3
Total Domestic	<u>3,145</u>	<u>3,101</u>	1	<u>6,507</u>	<u>6,405</u>	2
International	<u>534</u>	<u>628</u>	(15)	<u>969</u>	<u>1,096</u>	(12)
<b>Total Business and International Insurance</b>	<u>\$ 3,679</u>	<u>\$ 3,729</u>	(1) %	<u>\$ 7,476</u>	<u>\$ 7,501</u>	- %



# Domestic Business Insurance (Ex. National Accounts)



(\$ in millions)

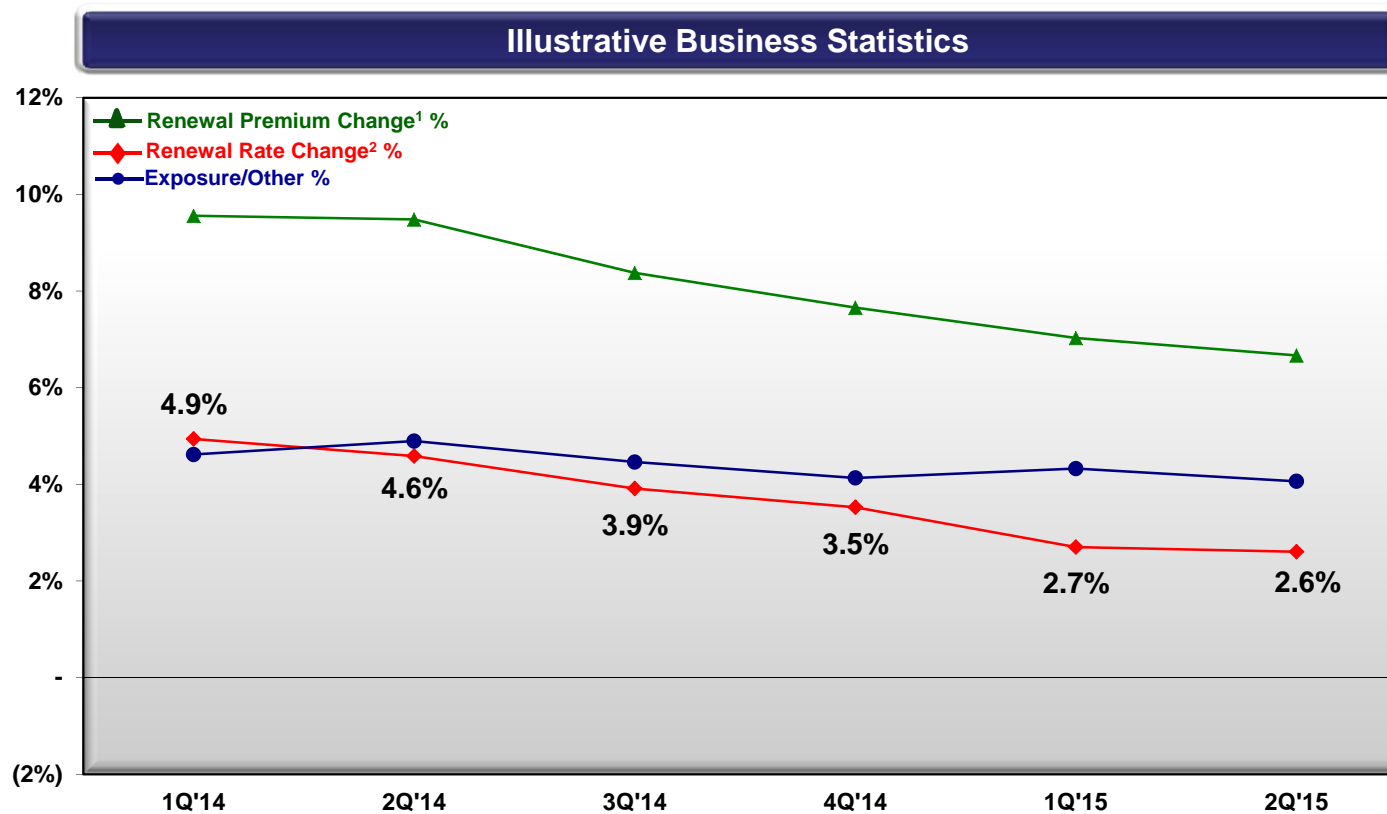
Retention	81%	81%	82%	82%	84%	84%
Renewal premium change <sup>1</sup>	7.2%	6.3%	5.5%	5.5%	3.8%	3.6%
New business	\$459	\$490	\$451	\$463	\$519	\$474

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

# Domestic Business Insurance: *Select Accounts*



(\$ in millions)

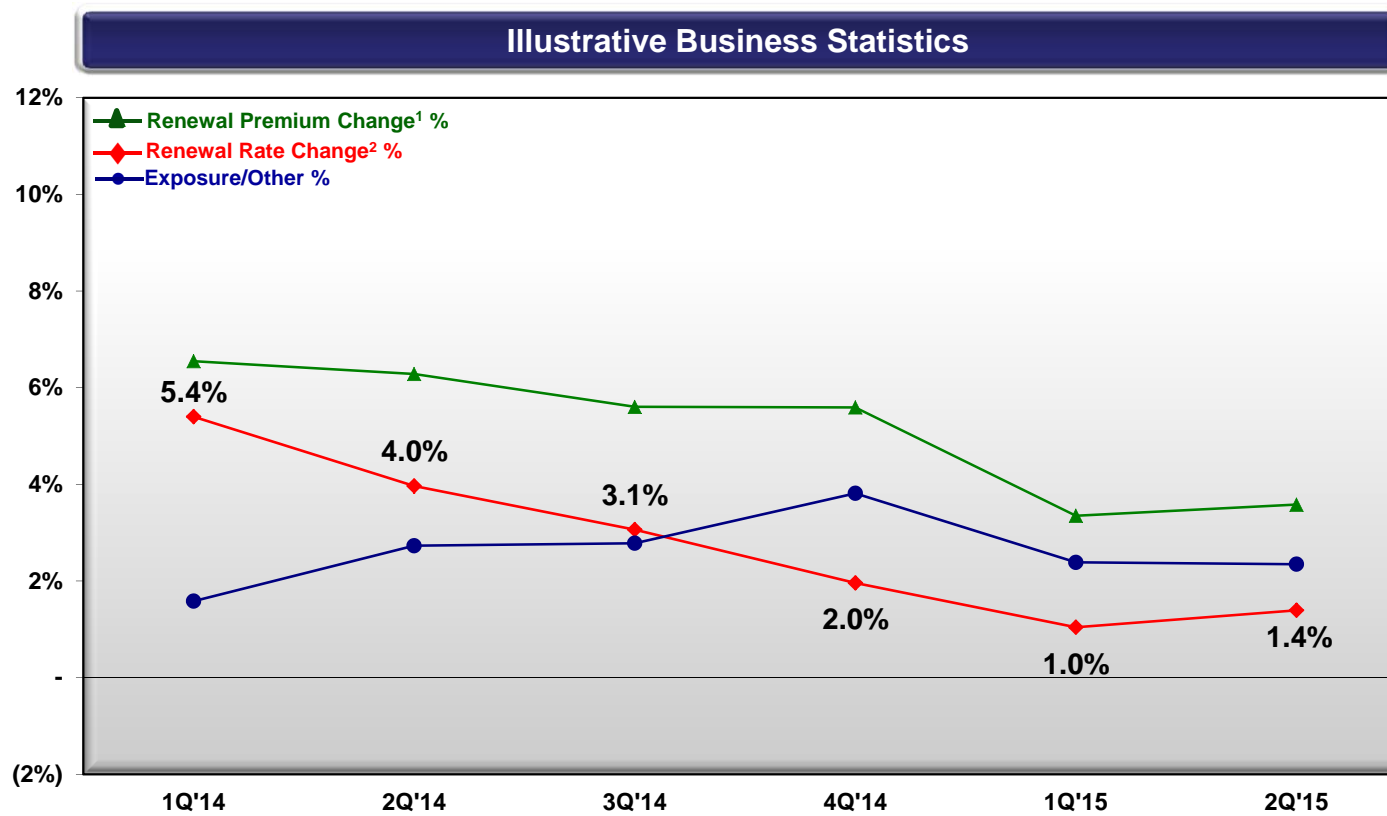
<b>Retention</b>	<b>79%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>81%</b>	<b>82%</b>
<b>Renewal premium change<sup>1</sup></b>	<b>9.6%</b>	<b>9.5%</b>	<b>8.4%</b>	<b>7.7%</b>	<b>7.0%</b>	<b>6.7%</b>
<b>New business</b>	<b>\$101</b>	<b>\$96</b>	<b>\$91</b>	<b>\$85</b>	<b>\$99</b>	<b>\$95</b>

<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.

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# Domestic Business Insurance: *Middle Market*

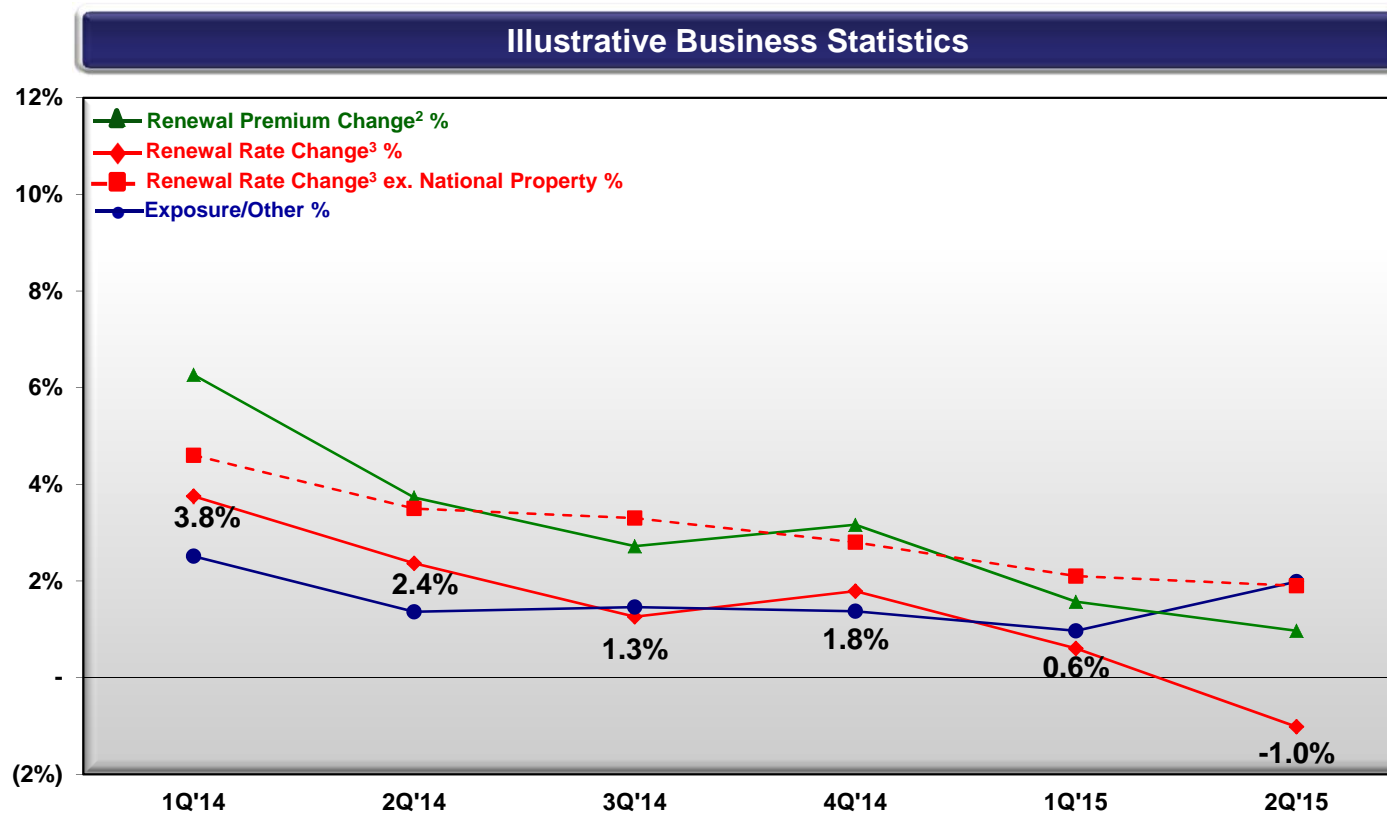


(\$ in millions)

Retention	83%	83%	85%	84%	86%	86%
Renewal premium change <sup>1</sup>	6.5%	6.3%	5.6%	5.6%	3.4%	3.6%
New business	\$232	\$245	\$236	\$253	\$299	\$229

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

# Domestic Business Insurance: *Other Business Insurance*<sup>1</sup>



(\$ in millions)

<b>Retention</b>	<b>76%</b>	<b>78%</b>	<b>78%</b>	<b>80%</b>	<b>80%</b>	<b>81%</b>
<b>Renewal premium change<sup>2</sup></b>	<b>6.3%</b>	<b>3.7%</b>	<b>2.7%</b>	<b>3.2%</b>	<b>1.6%</b>	<b>1.0%</b>
<b>New business</b>	<b>\$126</b>	<b>\$149</b>	<b>\$124</b>	<b>\$125</b>	<b>\$121</b>	<b>\$150</b>

<sup>1</sup> Includes First Party 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.

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# International Insurance

(\$ in millions)

## Illustrative Business Statistics

	2014				2015	
	1Q	2Q	3Q	4Q	1Q	2Q
<b><u>International</u></b> <sup>1</sup>						
Retention	84%	81%	81%	82%	85%	<b>82%</b>
Renewal premium change <sup>2</sup>	1.5%	2.1%	(0.8%)	1.3%	1.5%	<b>1.5%</b>
New business	\$84	\$91	\$72	\$70	\$57	<b>\$62</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 in part dependent on the use of estimates and are therefore subject to change.

# Bond & Specialty Insurance Performance

(\$ in millions)

	Second Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<u>\$ 151</u>	<u>\$ 192</u>	(21) %	<u>\$ 275</u>	<u>\$ 346</u>	(21) %
Loss and loss adjustment ratio	36.3 %	20.5 %		36.9 %	25.7 %	
Underwriting expense ratio	<u>37.4</u>	<u>37.9</u>		<u>38.0</u>	<u>37.7</u>	
<b>Combined ratio<sup>1</sup></b>	<b>73.7 %</b>	<b>58.4 %</b>	<b>(15.3) pts</b>	<b>74.9 %</b>	<b>63.4 %</b>	<b>(11.5) pts</b>
Net favorable prior year reserve development	7.7	23.7		7.3	18.6	
Catastrophes, net of reinsurance	<u>(0.3)</u>	<u>(0.9)</u>		<u>(0.2)</u>	<u>(0.6)</u>	
<b>Underlying combined ratio</b>	<b><u>81.1 %</u></b>	<b><u>81.2 %</u></b>	<b>0.1 pts</b>	<b><u>82.0 %</u></b>	<b><u>81.4 %</u></b>	<b>(0.6) pts</b>
<hr/>						
<b>Net written premiums</b>						
Management Liability	\$ 322	\$ 331	(3) %	\$ 643	\$ 655	(2) %
Surety	<u>212</u>	<u>209</u>	1	<u>369</u>	<u>367</u>	1
<b>Total Bond &amp; Specialty Insurance</b>	<b><u>\$ 534</u></b>	<b><u>\$ 540</u></b>	<b>(1) %</b>	<b><u>\$ 1,012</u></b>	<b><u>\$ 1,022</u></b>	<b>(1) %</b>

# Bond & Specialty Insurance

(\$ in millions)

## Illustrative Business Statistics

	2014				2015	
	1Q	2Q	3Q	4Q	1Q	2Q
<b><u>Management Liability</u></b> <sup>1</sup>						
Retention	85%	84%	83%	83%	85%	<b>86%</b>
Renewal premium change <sup>2</sup>	7.3%	4.1%	3.8%	4.8%	4.1%	<b>3.4%</b>
New business	\$37	\$36	\$33	\$35	\$38	<b>\$40</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 in part dependent on the use of estimates and are therefore subject to change.

# Personal Insurance Performance

(\$ in millions)

	Second Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<b>\$ 174</b>	<b>\$ 75</b>	<b>132 %</b>	<b>\$ 426</b>	<b>\$ 343</b>	<b>24 %</b>
Loss and loss adjustment ratio	62.2 %	71.1 %		58.7 %	63.4 %	
Underwriting expense ratio	28.9	28.7		28.6	28.3	
<b>Combined ratio <sup>1</sup></b>	<b>91.1 %</b>	<b>99.8 %</b>	<b>8.7 pts</b>	<b>87.3 %</b>	<b>91.7 %</b>	<b>4.4 pts</b>
Net favorable prior year reserve development	3.5	0.7		5.5	4.1	
Catastrophes, net of reinsurance	(6.2)	(10.7)		(4.9)	(7.2)	
<b>Underlying combined ratio</b>	<b>88.4 %</b>	<b>89.8 %</b>	<b>1.4 pts</b>	<b>87.9 %</b>	<b>88.6 %</b>	<b>0.7 pts</b>
<hr/>						
<b>Net written premiums</b>						
Agency Automobile <sup>2</sup>	\$ 890	\$ 831	7 %	\$ 1,712	\$ 1,619	6 %
Agency Homeowners & Other <sup>2</sup>	1,010	1,016	(1)	1,758	1,804	(3)
Direct to Consumer	56	46	22	108	89	21
<b>Total Personal Insurance</b>	<b>\$ 1,956</b>	<b>\$ 1,893</b>	<b>3 %</b>	<b>\$ 3,578</b>	<b>\$ 3,512</b>	<b>2 %</b>



# Personal Insurance Performance

	Second Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
<b>Agency Automobile <sup>1</sup></b>						
Loss and loss adjustment ratio	70.4 %	74.3 %		67.4 %	71.0 %	
Underwriting expense ratio	26.1	26.5		26.0	26.1	
<b>Combined ratio <sup>2</sup></b>	<b>96.5 %</b>	<b>100.8 %</b>	<b>4.3 pts</b>	<b>93.4 %</b>	<b>97.1 %</b>	<b>3.7 pts</b>
Net favorable prior year reserve development	2.5	-		2.7	-	
Catastrophes, net of reinsurance	(2.1)	(4.6)		(1.1)	(2.3)	
<b>Underlying combined ratio</b>	<b>96.9 %</b>	<b>96.2 %</b>	<b>(0.7) pts</b>	<b>95.0 %</b>	<b>94.8 %</b>	<b>(0.2) pts</b>
<b>Agency Homeowners &amp; Other <sup>1</sup></b>						
Loss and loss adjustment ratio	54.2 %	68.1 %		50.3 %	56.5 %	
Underwriting expense ratio	28.8	28.0		28.4	27.8	
<b>Combined ratio <sup>2</sup></b>	<b>83.0 %</b>	<b>96.1 %</b>	<b>13.1 pts</b>	<b>78.7 %</b>	<b>84.3 %</b>	<b>5.6 pts</b>
Net favorable prior year reserve development	4.6	1.3		8.2	7.7	
Catastrophes, net of reinsurance	(10.1)	(15.9)		(8.4)	(11.4)	
<b>Underlying combined ratio</b>	<b>77.5 %</b>	<b>81.5 %</b>	<b>4.0 pts</b>	<b>78.5 %</b>	<b>80.6 %</b>	<b>2.1 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 combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

# Personal Insurance

(\$ in millions)

## Illustrative Business Statistics

	2014				2015	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Agency Automobile <sup>1</sup></b>						
Retention <sup>2</sup>	80%	81%	82%	82%	83%	<b>83%</b>
Renewal premium change <sup>3</sup>	6.7%	6.8%	6.2%	5.6%	4.8%	<b>4.3%</b>
Policies in force (in thousands)	1,985	1,981	1,990	2,000	2,021	<b>2,057</b>
• Sequential quarter growth	(1%)	-%	-%	1%	1%	<b>2%</b>
• Year over year growth	(9%)	(7%)	(3%)	-%	2%	<b>4%</b>
New business	\$104	\$139	\$166	\$161	\$174	<b>\$191</b>
<b>Agency Homeowners &amp; Other <sup>1</sup></b>						
Retention <sup>2</sup>	84%	84%	84%	85%	84%	<b>84%</b>
Renewal premium change <sup>3</sup>	8.2%	7.5%	5.8%	5.5%	5.2%	<b>5.1%</b>
Policies in force (in thousands)	4,146	4,110	4,072	4,032	4,008	<b>4,017</b>
• Sequential quarter growth	(1%)	(1%)	(1%)	(1%)	(1%)	<b>-%</b>
• Year over year growth	(8%)	(7%)	(5%)	(4%)	(3%)	<b>(2%)</b>
New business	\$56	\$85	\$95	\$83	\$77	<b>\$113</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> 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.



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Appendix

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# 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, future pension plan contributions, potential margins, potential returns, 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 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;
- Consolidation within the insurance industry could alter the competitive environment in which the Company operates, which may impact the Company’s premium volume, the rate it can charge for its products, and the terms on which its products are offered;
- 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 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 and/or outsourcing relationships, including cloud-based;
- Risks associated with our business outside of the United States, including regulatory risks;
- 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;
- 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;
- 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 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

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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.

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